

**INTRODUCTION:  
REVIEW SYMPOSIUM ON GIOVANNI ARRIGHI'S *ADAM SMITH IN BEIJING***

**Thomas D. Hall**  
*Book Review Editor*

About sixteen months ago we began discussing commissioning a series of review essays on Arrighi's *Adam Smith in Beijing*. The original idea was to publish a collection of essays from various world-systems scholars, and have Arrighi respond. As we all know, Giovanni became ill and sadly passed in summer of 2009. In commissioning the essays as book review editor I faced a special challenge. Some likely writers had already committed to essays for other venues (e.g., Janet Abo-Lughod 2008; Chris Chase-Dunn forthcoming). I also wanted to get a variety of approaches so that the entire collection would represent a diverse set of views. The following essays do that. We are especially fortunate to have an essay from Robert Denemark, who I asked to comment on Andre Gunder Frank's probable take(s) on *Adam Smith in Beijing*. The remaining essays offer various insights into this important work.

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## THE NEW HEGEMON? CONTINGENCY AND AGENCY IN THE ASIAN AGE

**Jennifer Bair**

*Department of Sociology*

*University of Colorado*

**Jennifer.Bair@Colorado.edu**

*Adam Smith in Beijing* is an ambitious sequel to the work that is widely regarded as Giovanni Arrighi's most important, *The Long Twentieth Century*. Much like this earlier book, *Adam Smith in Beijing* is a long, sweeping and provocative exploration of capitalism's past, present, and future. In *The Long Twentieth Century*, Arrighi analyzed the 700 year history of the modern world system as a series of cycles of accumulation, each of which occurred under the auspices of a hegemonic power, and each of which included a period of material expansion followed, late in the cycle, by a shift in the locus of capital accumulation to the financial sector. Arrighi's analysis of four successive regimes—the Genoese, Dutch, British, and U.S.—drew on Braudel's concept of the “autumn of a hegemonic system,” which refers to the period of financial expansion marking the maturation of a particular regime of accumulation and its eventual displacement by a new one. This perspective enabled Arrighi to understand the financialization of the world economy, proceeding apace at the time under then-President Clinton, in the context of the *longue durée* in which one (declining) hegemon's autumn is another (rising) hegemon's spring.

If *The Long Twentieth Century* analyzed the systemic cycle of accumulation as a recurrent and foundational structure of capitalism's historical development, *Adam Smith in Beijing* explores a particular moment in this process. In Arrighi's view, we are experiencing a transition from one regime to a new, as-yet undetermined one, and the (modest) question he sets out to answer is what this transition augurs for the future of global capitalism, the health of the planet, and the well-being of humanity.

It is in this sense that the more recent book begins where the earlier one leaves off: It is now late autumn for the U.S.-centered regime of accumulation, and the era of American hegemony is over. The war in Iraq, and the failure of the larger Project for a New American Century of which it was part, is central for understanding how the relationship of the US to the rest of the world reached the point of “domination without hegemony” that characterizes it today. Arrighi's contention is that whatever the final outcome of the war itself, the difficulties that the US encountered in waging it were deeply revealing, both of its inability to enlist the widespread support of other countries, who no longer trust the United States to lead the world in ways that enhance the well-being and security of all, and of its dependence on military might to sustain its economic and political objectives. Insofar as this neoconservative-inspired project was intended to stave off decline and prolong America's power, its implementation under the Bush administration proved profoundly counterproductive, as it laid bare in the starkest way imaginable the limits of that power.

In *The Long Twentieth Century*, Arrighi hypothesized that the dislocations of the 1970s—the Vietnam war, the social and political unrest that surrounded it, the economic shock of the oil crisis and the long period of malaise that followed—could be interpreted as the signal crisis of American hegemony. Although he made no specific predictions about the nature or precise timing

of the eventual terminal crisis that would some decades hence mark the definitive end of U.S. hegemony, one of the central claims of *Adam Smith in Beijing* is that the Iraq war constitutes such a crisis. Subsequent events—specifically, the global economic meltdown precipitated by the sub-prime mortgage morass in U.S. financial markets—confirmed Arrighi’s views in this regard, as he stated unequivocally in a recent interview with David Harvey, published earlier this year in *New Left Review*: “With the bursting of the housing bubble, what we are observing now is, quite clearly, the terminal crisis of US financial centrality and hegemony” (2009, p. 90).

The decline of the American-centered regime of accumulation is only one half of the central argument in *Adam Smith in Beijing*, and although Barack Obama’s election in 2008 raises a number of new and interesting questions about whether or not the U.S. will more intelligently, or at least less catastrophically, manage a decline that is, in Arrighi’s view, unavoidable, his overall argument about the autumn of the U.S.-led regime is neither as novel nor as provocative as his analysis of the global political-economic configuration to which we are transitioning. In this regard, Arrighi revises his earlier analysis somewhat: While both *The Long Twentieth Century* and *Adam Smith in Beijing* claim that the center of the world economy is shifting to East Asia, the former focused on Japan as the region’s largest economy and the one leading its rise on the world stage; by the time Arrighi finished what we now know will be his last book, China’s decade-plus of unprecedented growth cemented its status as the most significant player in the East Asian capitalist archipelago.

While Arrighi is hardly alone in noting the implications of China’s ascent for the future of the global economy, he offers a distinctive interpretation of its trajectory which draws on the theory of economic development elaborated by Smith in *The Wealth of Nations*. Like his analysis of the U.S. regime’s “autumn,” China’s economic emergence (or as Arrighi sees it, *reemergence*), is approached from the perspective of the *longue durée*; while many have interpreted China’s adoption of market reforms as a sharp break from its socialist past, Arrighi sees connections between the dramatic growth that China is experiencing today and a distinctive, regionally-specific trajectory that extends several centuries back into East Asian history. His discussion of this model draws heavily from work by scholars of East Asia, especially the work of Kaoru Sugihara, who developed the concept of the “industrious revolution,” both to describe this growth model, which is based on labor-intensive forms of production and husbanding of natural resources, and to differentiate it from the ecologically more destructive (and ultimately unsustainable) capital-intensive development path of the West, whereby energy and machinery are progressively substituted for labor.

Arrighi’s argument is that China’s contemporary resurgence is a vindication of Adam Smith’s economics, which, far from advocating the free-market fundamentalism of the “there is no alternative” variety, actually acknowledged multiple ways to grow the wealth of a nation. Indeed, Smith encouraged the policymakers of his day to learn from the experience of those countries, China being the exemplar, that were following a “natural” path to development based primarily on agricultural and eventually industrial production for the domestic market, with foreign commerce playing a belated and secondary role. In contrast, for Smith, the European countries had followed an “unnatural” path in which commercial capital and long-distance trade figured prominently. The outward orientation of this model meant that economic growth was fundamentally tied to the exploitation of foreign resources and foreign markets of the sort that Britain’s empire encompassed. Arrighi emphasizes that Smith, appreciating the benefits that the natural path to development provides relative to the one forged by the European nations, advised

the policymakers of his day to steer England towards the former.

It is likely that Smith's entreaties fell on deaf ears in this regard, however, since the exploitation of foreign resources and markets on which the "unnatural" model depended was already well advanced. Smith himself was aware that countries following different paths to national wealth would find it increasingly difficult to avoid the intersection of other routes, given the linkages which European colonialism was forging between distant parts of the world. While Smith acknowledged the "dreadful misfortunes" that European imperialism brought to the native populations of the conquered nations, he also gestured, in a passage Arrighi quotes in his introduction, towards the possibility of a convergence in the wealth of nations east and west that would permit "the inhabitants of all the different quarters of the world...to arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another" (p. 3).

This conjecture serves as Arrighi's point of departure for *Adam Smith in Beijing*. The century following the publication of *The Wealth of Nations* was characterized, not by a narrowing of the gap between east and west, but instead by what Ken Pomeranz termed the "Great Divergence." This gulf between the two regions endured well into the next century, surviving the transition from a U.K.-led regime of accumulation to one centered on the United States. Yet the central thesis of Arrighi's book is that "the failure of the Project for a New American Century, and the success of Chinese economic development, taken jointly, have made the realization of Smith's vision of a world-market society based on equality among the world's civilizations more likely than it ever was in the almost two and a half centuries since the publication of *The Wealth of Nations*" (p. 8).

The argument is elaborated in four sections, though this review focuses primarily on the first and last of these. In the three chapters comprising part 1 of the book, Arrighi offers his rereading of Smith. I suspect that, unlike the many enthusiasts of unfettered markets whose interest in Smith does not extend much beyond a ritualistic invocation of "the invisible hand" metaphor, many of Arrighi's readers will have actually spent some time with *The Wealth of Nations*. To the extent that they have, the author's attempts to defend Smith from the more vulgar of his interpreters are probably unnecessary. But Arrighi's principal objective in this first section is to convince us that Smith's political economy can help us understand what Arrighi contends are non-capitalist market economies (as opposed to the capitalist market economies that Marx analyzed) "such as China was prior to its subordinate incorporation in the globalizing European system of states, and might well become again under totally different domestic and world-historical conditions" (p. 8).

The fourth and final section of the book is likely to be the most controversial, since it presents a view of the market society emerging in China that some will consider, not without reason, to be quite benign. It begins with a discussion of the U.S. response to China's ascent, or more accurately, the lack of a coherent response, which reflects, among other things, U.S. dependence on Chinese purchases of Treasury bonds. Arrighi explains that one of the challenges that the United States confronts in dealing with China is the fact that "the entire East Asian system of interstate relations has been characterized by a long-term dynamic that contrasts sharply with the Western dynamic" to which U.S. foreign policy is oriented (p. 333). Here Arrighi lays out a history of the region's "natural path" to development, which extends back to the formation of overseas trading networks between China and maritime Asia in the late 13<sup>th</sup> century, culminating in a period of robust economic growth in the eighteenth century.

East Asia's economic eclipse began in earnest with China's defeat in the Opium Wars during the middle decades of the nineteenth century, and it lasted for nearly a hundred years. Although the region's eventual reemergence was enabled by U.S. sponsored efforts to reconstruct Japan after the Second World War, American influence in Asia waned in the aftermath of its defeat in Vietnam, when United States hegemony was, according to Arrighi's periodization, experiencing its signal crisis of the 1970s. Over the course of the next decade, Japan emerged as a growing power not just in the region, but in the global economy; its government (through the purchase of Treasury securities) became a major investor in the United States, while its corporations became major suppliers of merchandise to U.S. consumers and major competitors to U.S. manufacturers. A particular organizational model, quite distinct from the vertically-integrated Fordist one that structured American industry, was regarded as the key to Japan's export dynamism. What Arrighi emphasizes here, however, is that the "Japanese" model rested on a Chinese foundation: In the 1970s, when the Japanese subcontracting system began to extend across national borders, this "spillover [into neighboring countries] relied heavily on the business networks of the overseas Chinese, who were from the start the main intermediaries between Japanese and local business, not just in Singapore, Hong Kong, and Taiwan, but in most southeast Asian countries, where the ethnic Chinese minority occupied a commanding position in local business networks" (p. 347).

Japan's dynamic rise was eventually curtailed, due both to the U.S.'s success in bringing diplomatic and geopolitical pressure to bear, resulting in measures (discussed in chapter four) such as voluntary export restrictions on Japanese products and the revaluation of the yen under the Plaza Accord, and to the efforts of U.S. industry to restructure its own production networks along the lines of Japan's more flexible organizational model. Asian factories thus became the battleground on which struggles between Japanese and American companies played out, but despite the convergence of the U.S. towards the Japanese model, Arrighi emphasizes that "the main beneficiary of the mobilization of East Asian subcontracting networks in the intensifying competitive struggle among the world's leading capitalist organizations was neither Japanese nor US capital. Rather, it was another legacy of the East Asian development path: the overseas Chinese capitalist diaspora" (p. 348). Arrighi thus provides a fresh perspective on the sourcing practices of a company like Wal-Mart, which, in 2008, planned to procure \$9 billion worth of merchandise from China. While some analysts see these buyer-driven commodity chains as an emergent organizational form in the post-War international economy, enabled by U.S. commercial capital and the rise of giant retailers that manage far-flung subcontracting networks, Arrighi emphasizes the pivotal role played by the overseas Chinese business community, which serves to link foreign buyers to global suppliers that manufacture many of the goods sold in their stores or under their label. Rather than being pioneered by Wal-Mart, Arrighi, citing the work of Gary Hamilton and others, notes that subcontracting arrangements of this sort were already "a distinctive feature of big business in late imperial China, and remained the dominant form of business organization in Taiwan and Hong Kong up to the present" (p. 348).

With China having displaced Japan as the center of gravity in a resurgent East Asia, the final chapter of *Adam Smith in Beijing* offers an analysis of the "origins and dynamics" of its ascent. Like other observers of China's meteoric rise, Arrighi is impressed not just by China's dominance of foreign markets, but also by its apparent success in moving up the value chain. However, Arrighi sees China's export boom as a manifestation rather than a cause of the economy's success, which, he emphasizes, is based less on foreign direct investment than on an

indigenous development tradition. Just as Arrighi strives to recuperate Adam Smith from his adoption by market radicals, so too does he aim to recover the Chinese miracle from its appropriation by those who use it to buttress neoliberal policy prescriptions for the developmental cure. Here Arrighi returns to the discussion of Smith's "natural" path to national wealth, and argues that key features of the Chinese experience—particularly its gradualism and the role that the state has played in managing the introduction of market reforms and promoting particular objectives, chiefly social stability—approximate very poorly the stylized model of the Washington Consensus; they are further, he contends, deeply rooted in Chinese history and China's central role in an East Asian development trajectory that was interrupted in the nineteenth century by the region's subordinate incorporation into the European-centered regime of accumulation.

If Arrighi's interpretation of China's future, and the emergence of what he suggests may be an "Asian age," are the most contentious aspects of his argument, it is important to acknowledge that his optimism about a China-centered, East Asia-based world-market society is based less on a romanticization of the country's present than on a particular reading of its past, and a particular understanding of how that past matters. The Communist Revolution was a critical episode in China's history, but the trajectory shaping contemporary developments in Asia reaches far back beyond Mao. For example, Arrighi claims that modernization was pursued during the Maoist period not through the destruction of the peasantry, as in the USSR, but "through the economic and educational uplifting of the peasantry" (p. 374). Yet the agricultural dimension of China's ascent is not regarded solely as a legacy of the Revolution; instead, Arrighi sees a connection between the contemporary status of China's rural labor force and an East Asian development model described by Smith two hundred years prior to the Cultural Revolution—that is, a "tradition of market economy, which, more than any other, mobilized human rather than non-human resources and protected rather than destroyed the economic independence and welfare of agricultural producers" (p. 365).

It is possible to see here how the lineage Arrighi draws from the "natural" path to development described in *The Wealth of Nations* to the contemporary Chinese ascent descends from his own intellectual trajectory and specifically, his early work on the political economy of Rhodesia. Arrighi's first forays into comparative-historical sociology elaborated on the way in which the dispossession of the peasantry in southern Africa hindered the development of capitalism there by eliminating the ability of the rural labor force to subsidize its own reproduction, and capital accumulation. Among the implications that Arrighi drew from his research in Africa, the most significant was his rejection of proletarianization as a necessary condition of capitalist development. This sensitivity to the historically contingent and variable ways in which the peasantry can be incorporated into and shape development trajectories is reflected here in Arrighi's discussion of China's Township and Village Enterprises (TVEs) as an example of "accumulation without dispossession."

Some of the other connections that Arrighi attempts to draw between Smith's "natural" path and the Chinese ascent are more difficult to see, at least for this reader. For example, it is hard to square Arrighi's argument about the comparative advantage provided by the self-management skills of Chinese labor with the many ethnographic accounts of conditions on China's shop floors. His interpretation of the salutary effects of the East Asian development path for labor draws from Sugihara's work on the industrious revolution, as he recently explained in the *New Left Review* interview with David Harvey: "In the industrious revolution there is a

mobilization of all the household's resources, which develops, or at least preserves, managerial skills among the laborers" (2009, p. 86). Arrighi claims that this aspect of the East Asian experience is "pretty crucial to understanding the present Chinese rise; that having preserved these self-management skills through serious limitations on the process of proletarianization in a substantive sense, China can now have an organization of the labor process that is more reliant on the self-management skills of labor than elsewhere. This is probably one of the main sources of the competitive advantage of China under the new circumstances" (p. 86).

In *Adam Smith in Beijing*, Arrighi also acknowledges the "countless episodes of super-exploitation, especially of migrant workers" in China (p. 360), but the balance of the argument is weighted towards explaining that the high quality of Chinese labor is, first, a legacy of East Asia's "natural" development path, and second, a competitive advantage that helps explain why China has fared so much better than all the other countries offering large reserves of low-priced labor to mobile capital. Yet, it is a challenge to reconcile this profile of a self-directed labor force with the portrait that emerges from ethnographic research on workers in China, many of them young, female migrants from rural areas employed in the south's export-processing zones. While these findings are not necessarily generalizable to Chinese industry as a whole, since they reflect the experience of workers employed in the relatively labor-intensive segment (textiles, electronics) of what is an increasingly diverse manufacturing sector, several studies nevertheless describe labor regimes that tend towards extreme paternalism at best, with workers having little autonomy, not just over the production process, but "off the job" as well, given the prevalence of dormitory living arrangements for migrant workers (Lee 1998, Ngai 2005; Wright 2005).

The reader may also take issue with some of Arrighi's predictions about the dynamics of the China-centered, world-market society that he believes is emerging. It is not entirely clear why, for example, Arrighi is cautiously optimistic that China's ascent is the harbinger "of that greater equality and mutual respect among peoples of European and non-European descent that Smith foresaw and advocated 230 years ago" (p. 379) as opposed to a harbinger of a new Asian-centered regime of accumulation in which China replaces the United States as the hegemonic power. This is a question that Arrighi was asked in his *NLR* interview with David Harvey, but his answer, which refers to the specificities of China's geopolitical position and the historical importance of commercial, as opposed to political or military ties, between China and its neighbors, is not entirely satisfying. It seems to rely on Arrighi's belief that the nexus between capitalism, militarism, and imperialism on which past regimes of accumulation have rested is somehow incompatible with an eastern hegemon; Arrighi's argument that an emergent Asian-centered world-market society will differ in fundamental ways from the regimes of accumulation that descended from the European path to development would appear to rest primarily on an assumption that the contours of China's future course, as opposed to simply its present, will be profoundly shaped by its past.

Yet the epilogue to *Adam Smith in Beijing* emphasizes the contingent nature of the transition we are witnessing. Although Arrighi is certain that it is the autumn of U.S. hegemony, and he seems equally confident that the Asian era that is emerging will be presided over by a fundamentally different kind of hegemonic power, he is not at all sure what that power will look like or how it will be exercised. It may lead to a new and more powerful Bandung, since unlike the earlier non-aligned movement, which rested on ideological and political foundations, a new alliance of the South would be buttressed by the economic might not just of China, but also of India. Indeed, many observers have noted China's closer alignment with the countries of the

global South, perhaps most notably after its participation in the so-called G-20 plus bloc of developing countries, whose call for liberalization of Northern agricultural markets as a prerequisite for progress on the North's agenda contributed significantly to the failure of the WTO ministerial in Cancun in 2005. Yet while China may be deploying power of both the soft and hard varieties, it is not entirely clear how its efforts will be received. The Sinophobia characterizing some discussions of China's ascent in U.S. media are not surprising, especially since they echo earlier anxieties about Japan's rising economic power, but the declining hegemon is not the only country concerned about the implications of East Asia's rise; China is likely to be perceived as much a competitor as an ally by countries whose own development strategies rest on export-led growth, and thus success in global markets that are currently being dominated by Chinese imports.

There are also massive contingencies internal to China which will shape the kind of regime that is emerging. Among these Arrighi acknowledges the three most important, even if they do not receive the more extended treatment they merit. First is the extent to which the husbandry of nature that Arrighi considers characteristic of the "natural" development path is able to shift China off the route, forged by the European powers whose revolution was industrial rather than industrious, of ecologically-destructive growth, and onto a trajectory that is less harmful to the environment. The second factor affecting China's, and the world's, future is the extent to which the heightened inequality and increased economic insecurity that characterized the reform process through the 1990s will be countered by a renewed commitment on the part of the Chinese state to the social protections and welfare commitments of the sort that are supposed to be signaled by Hu Jintao's pledge of a "new socialist countryside." Since Arrighi does not entertain romantic notions about the enlightened benevolence of the CCP, or any other form of state power, this second factor is, in turn, contingent on a third: the extent to which the Chinese working class will push the state in the direction of a more egalitarian, sustainable, and humane mode of economic development. Arrighi's expectations in this regard are rather high, since, as he notes "Chinese peasants and workers have a millennial tradition of unrest that has no parallel anywhere else in the world" (2009, p.79).

Arrighi says little about the possibility of democratization, or political participation more generally in China, but he closes *Adam Smith in Beijing* by noting that the significant wave of protest that has erupted throughout China in recent years has already "prompted a major reorientation of Chinese policies towards a more balanced development between rural and urban areas, between regions, and between economy and society" (p. 389); Elsewhere, however, he acknowledges that the balance of forces between the classes in China is still up for grabs at the moment" (2009, p. 80). Arrighi's tone throughout this interview for the *New Left Review* is more cautious than the one characterizing *Adam Smith in Beijing*. He repeatedly emphasizes that "[i]t's unclear where China is headed today. I'm not putting bets on any particular outcome..., but we must have an open mind in terms of seeing where it's going" (p. 84). Two themes dominate this conversation with Harvey, and both are characteristic of Arrighi's body of work, not just this fascinating, challenging, and final book of his career. The first is an appreciation for the role of contingency and agency in the unraveling of capitalism as a historical process. The second, related theme is the flexible nature of capitalism across time and space. Any effort to define or analyze capitalism that does not appreciate its tendency to change and adapt to the different social and historical configurations in which it emerges and develops will be unsatisfactory. Among the many rich insights that Arrighi's scholarship offers us, these are perhaps the most valuable for

those who carry forward his analytical and political commitments—namely, to better understand the origins of our time in the pursuit of a more just and humane future.

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## NATURAL AND UNNATURAL PATHS

**Gary Coyne**  
*Department of Sociology*  
*University of California, Riverside*  
Garycoyne1@gmail.com

*Adam Smith in Beijing* is Giovanni Arrighi's attempt to make sense of the rise of China and the fate of the neo-conservative Project for a New American Century, while at the same time speculating about the role of East Asia in the twenty-first century. In interpreting these current events Arrighi draws much from *The Wealth of Nations*, Adam Smith classic of political-economy which proves to be surprisingly relevant despite being over two-hundred years old. One of the book's unifying themes is Adam Smith's prediction that one day "the inhabitants of all the different quarters of the world may arrive at that equality of courage and force, which by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another" (p. 3).

Arrighi begins with a theoretical background for his argument by examining Smith, Marx, Schumpeter and other key thinkers on political-economy. Arrighi then spends the better part of his work sketching out the ups and downs of American hegemony in political and economic terms in the post-WWII world order while grounding this in the long-term historical narrative of the rise of the West and the basic logic of capitalism and how these processes worked (or not) in East Asia. Arrighi then considers China's economic growth, and is fairly successful in framing it in the terms provided by Adam Smith. Some space is also devoted to outlining the more obvious options for the twenty-first century. I will deviate slightly from Arrighi's interpretation of the role of the state in economic development to add some thoughts on the interconnections between the state, domestic policing, and economic growth. The book brings together several different strands of thought and firmly grounds the emergence of China in both historical and theoretical contexts, although like other books that attempt to synthesize such large amounts of information, the narrative does get bogged down with details at points.

The first section offers a reading of Adam Smith that is sharply at odds with the reading favored in neo-liberal circles which argues that Smith was an advocate for self-regulating markets and capitalism as an engine of "endless economic expansion" (p. 42). Much of Smith's purpose in writing *The Wealth of Nations* was to advise political actors how to structure the market to the advantage of labor and how to protect society in general from the interests of large businesses. In fact, Smith is not even entirely positive about the division of labor in his often-cited pin factory because the technical division of labor within a single unit of production leads to the creation of jobs that are both too simple and overly repetitive. Arrighi further argues that Smith would have labeled the industrial revolution an "unnatural" path of development because it privileged the role of industry and long distance trade over the development of the domestic market, and agriculture in particular. On the other hand, "China is repeatedly mentioned as the exemplar of a country that had followed the path to economic maturity that Smith calls 'the natural course of things'" (Arrighi 2007: 57). While Arrighi leaves it until the final section to fill in the details of this "natural path" he does invoke Sugihara's work to equate this path with the "industrious

revolution,” or a type of economic growth that uses labor-intensive technologies embedded in flexible relations of production and ultimately raises standards of living while using fewer inputs of resources and capital. The “unnatural path,” on the other hand, is equated with the industrial revolution, or capital-intensive production that uses large amounts of resources and relatively little labor. Arrighi later calls on Schumpeter’s idea of creative destruction- in which social relations are continuously remade to realize structures with greater potential for production- to characterize the unnatural path. It should be noted here that Smith claims that his “unnatural” path entails a much greater potential for developing military power and thus places those societies following the “natural path” at a military disadvantage relative to those following the unnatural path.

The second section is largely historical and focuses on turbulence in the system of global finance. Arrighi argues that the United States had tremendous advantages in development because of its size and relative isolation. Furthermore, its domestic market was only partially integrated into the global market, and thus made large vertically integrated firms profitable -- railroads are an archetypal example. Much of this section, however, is organized by drawing parallels between economic downturns in the late nineteenth (Great Britain) and twentieth (US) centuries. Arrighi states that

[w]hat has occurred thus far is the tendency for uneven development in Brenner's sense to generate a long boom, followed by a long period of intensifying competition, reduced profitability, and comparative stagnation; itself followed by an upturn of profitability, based on a financial expansion centered on the epoch's leading economy (p. 118).

While each of these downturns signals the end of the leading nation’s hegemony, there are also major differences. The massive national debt of the US has turned it into a sink for capital, while Great Britain became a major creditor. The near monopoly of military power by the US at present is another significant difference between these two downturns. This economic downturn has also seen marked trends away from the large vertically integrated firms that rely on the technical division of labor within units of production, as production is moving increasingly towards more fluid models in which smaller firms are linked via networks. In other words, Arrighi provides evidence that validates Smith’s ideas on the division of labor.

The third section is also largely historical and examines the unraveling of United States hegemony and its attempts to extend hegemony – the “Project for a New American Century.” Arrighi introduces the idea of “fixes of capital,” meaning both the physical embedding of capital in infrastructure and capital goods, as well as a more metaphorical sense in that capital is always in search of larger profits. In this light “the new imperialism will appear as the outcome of a protracted historical process consisting of spatial fixes of increasing scale and scope, on the one hand, and, on the other, of a US attempt to bring this process to an end through the formation of a US-centered world government” (p. 228). Arrighi stresses that each successive hegemon was larger than the previous. This vindicates Smith’s observation that the size of a market directly shapes the level of development. Arrighi goes on to show that for two to three decades after WWII US military power was generally accepted as legitimate by other nations as it was actually offering protection from the USSR at a low cost. However, the Iraq debacle is understood in the context of using cheap oil from West Asia to help cement a world order centered on the US. In this light US military power now seems much more like a protection racket: it is both expensive and offered against dangers that the United States created, or helped to create.

It is at this point that Arrighi takes a slight detour to examine the nature of militarily power, as much of the profitability of historic capitalism in the nineteenth century was premised on the forced expansion on the geographic area that was organized under its logic, that is, colonialism and imperialism. Drawing on correspondence between Marx and Engels, Arrighi points out that war making began a long trend toward commercialization when certain Italian city-states began to hire mercenaries. If this commercialization of warfare was found in a society on the unnatural path of development, as it would seem it inevitably would be military power would be increased by the technical division of labor as increasing numbers of functions could be taken on by a given army. Although the integration of such units could be problematic, the strict discipline needed to accomplish this amounted to the principles of “scientific management” applied to warfare. A further feature of such unnatural military development would be the application of capital intensive machinery to warfare, both for the creation of armaments for soldiers (i.e. mass produced rifles) and machines of war (i.e. armored steam ships) as well as for the provision of other military needs like transportation (i.e. railroads) and communication (i.e. the telegraph). Indeed if a state played its cards right, this type of war making activity could even pay for itself by opening access to new pools of resources that would stimulate further economic activity and then by increased tax revenues.

From here Arrighi outlines a number of the more plausible options for dealing with the rise of China in a political-military context. The first would look something like a new Cold War in which China could be first contained by, and later integrated into a series of security agreements in the same way that NATO was used to control and later integrate Russia. The second option would be to acknowledge the inevitability of China’s ascent and simply accommodate this and avoid open conflict. In fact, the Chinese government has itself espoused a policy of “emerging in a peaceful way” (p. 291). The third option would be a version of “playing the ends against the middle” as the countries of the Pacific rim could be drawn into a series of bilateral agreements that privileged the US position vis-à-vis other actors. Arrighi acknowledges that there would be no reason why other countries should allow themselves to be played against each other in this way. The US is not pursuing one of these policies because there is no widespread agreement on what it and its various segments of its population (working class or business leaders) would to gain or lose by the rise of China. Arrighi is clear however that the main reason there has yet to be a coherent response to China is that the United States has allowed itself to become distracted in Iraq. Whatever the final outcome in Iraq, China will likely be the ultimate winner of the “war on terror.”

In explaining the rise of China Arrighi provides a fairly rich historical context from the Song dynasty down to the post Deng Xiaoping reforms. In the era before intensive contact with the societies of Europe and North America, East Asia was characterized by an interstate system-like the one that developed in Western Europe- in which a common cultural heritage of the societies involved provided a framework for integration. However, this state system was centered on the comparatively much larger state of China, in a way that has no European parallel. Another major difference was the low level of conflict, both between the various state elements and by the elements collectively or individually in the expansion of the basic logic through space. Arrighi maintains that China’s expansion into Inner Asia was not a primarily a grab for resources or markets comparable to colonialism and/or imperialism, but rather describes it as “the transformation of a hard-to-defend frontier into a pacified periphery and a buffer against raiders and conquerors from Inner Asia” (p. 317). The Qing Dynasty (1644-1911) attempted to counter

uneven economic development, both in space and in time. The "outcome of these policies was the remarkable peace, prosperity, and demographic growth which made eighteenth-century China an exemplar of Smith's 'natural' path to opulence" (p. 328). All this was thrown into disorder with the arrival of Western powers and the effective displacement of China as the regional hegemon. The foreign powers showed considerably less interest in Japan, and for that reason Japan was able to modernize and industrialize more or less on its own terms, and was eventually able to replace Britain as the regional leader East Asia. This was not to last, however, as China ended the seclusion of the early Communist period and ties with the outside and, more importantly, economic growth began to increase rapidly. It is the way in which this economic reorganization and growth occurred that led Arrighi to conclude the ultimate vindication of Smith is to be found in China.

In remaking the economy in the late 1970s and 1980s Deng Xiaoping and other leaders in Beijing focused first on the domestic market, with some of the first reforms focused on the agrarian sector. Here the role of the small but numerous township and village enterprises (TVEs) was key as they allowed for a gradual transition from agriculture to industrial labor by providing access to wage labor (generally in light industry) in ways that did not require a sudden and complete exit from existing economic structures. Central regulations also stipulated that the profits from these TVEs be retained at the local level and invested in infrastructure and education. Thus, they provided revenues to the places that typically fall behind urban areas as countries develop. Indeed, levels of literacy and numbers of college graduates in China compare very favorably to other countries with similar levels of per capita income. It is precisely this well-educated and well-trained workforce that allows Chinese entrepreneurs to replace capital-intensive machinery with highly skilled and self-directing labor. Organizing intensive labor in flexible ways like this is exactly what distinguishes the "industrious revolution" from its industrial counterpart. Furthermore, organizing labor in this way means minimizing the technical division of labor within units. A procedure Adam Smith would no doubt applaud.

It is when the role of the state in development is considered that Arrighi's analysis falls short, as there are significant parallels between domestic policing and the role of military power considered above. The Chinese state is currently in the implementation stages of a project called "Operation Golden Shield," which attempts to cover urban spaces with closed circuit television cameras, link them to some central location. There they could scan the feeds with facial recognition software and connect individuals to many of personal information such as police reports, work histories, medical history, education records, and even credit scores (Bradsher 2007). Most of the production of the needed cameras and infrastructures is being carried out in China, but companies in the United States are involved the development of the needed software. While the United States has increased its legal and technological capacities for monitoring its citizens after 9/11, China has the type of authoritarian government that is willing to go much further in the name of security and, perhaps more importantly, it is the sheer size of the Chinese population that makes the implementation of such projects massively profitable. Indeed the companies involved in Operation Golden Shield have raised the needed capital in America, with at least one of them being listed on the New York Stock exchange (Spencer 2007). While this may seem like something of a detour, the connections to the core of Arrighi's argument are both numerous and disquieting.

First this seems to suggest that it is possible to expand the logic capitalism into various social spaces as never before. Closed circuit television cameras systems are being used in factories and

other places of employment because the close supervision of labor can raise productivity and minimize lost time and materials. The policing of consumption in places like shopping malls has increased the profitability in much the same way (Koskela 2000). Many of the places where cameras are being installed are not unfamiliar to capitalism, but scale is. Furthermore these infrastructures can be thought of as physically fixing capital in space, and to the extent that it is lucrative- the global market for homeland security is estimated at \$200 billion- this also opens up the possibility of the massive profits (Klein 2007). In fact, Shenzhen is both the one place where such an infrastructure is running and is one of the most profitable places to do business in China (Klein 2007). While the United States has much stronger commitments to civil liberties, these rights are in a state of flux in post-9/11 America and the use of close-circuit television networks is certainly on the rise. It does not seem to be much of stretch to point out that this may be a reshaping of social structures in ways that realizes an increased profit potential; that is to say this maybe a the process of creative destruction in action. The ways in which video surveillance changes the dynamics of social space has been examined elsewhere (Koskela 2000). The extent to which this system can provide a mechanism for self-sustaining profitability remains to be seen, but the parallels to the system of militarily enforced capitalist expansion discussed above are both significant and troubling.

It is in this light that we come to Arrighi's conclusions. He predicts that the two paths to development- the "industrious" and "industrial"- will eventually converge because, at least in part, the industrious path's modest use of resources is the only way that sustained economic growth would be possible for the six billion inhabitants of the world. While the Chinese path to growth is best described as the industrious path, the recent developments in its security apparatus suggests that China may be moving toward the Western pattern more quickly than the West is doing the reverse. Indeed, in the specific case of Operation Golden Shield there appears to be some synergy across the Pacific. East and West are now more closely intertwined than ever before and rapidly becoming more so. Here again we see Smith's views vindicated as Arrighi concludes that the conditions are now more favorable than ever before for the coming into existence of "the commonwealth of civilizations that Smith envisioned long ago" (p. 384). While we should not critique Arrighi too harshly for not including the rise of Chinese security apparatus in his analysis, it is evidence that he and Smith may be overly optimistic in predicting a commonwealth of civilizations based on nations respecting the rights of all.

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## WORLD SYSTEM HISTORY: ARRIGHI, FRANK, AND THE WAY FORWARD

**Robert A. Denemark**  
*Department of Political Science*  
*University of Delaware*  
denemark@UDel.edu

Giovanni Arrighi dedicated *Adam Smith in Beijing* to the memory of Andre Gunder Frank. In this review I have been asked to consider the elements of Arrighi's volume that Frank would have liked, and those he would have disliked. I identify five elements of world system history, which Frank worked to build during the last 20 years of his career, and assess areas of consonance and contradiction with Arrighi's volume.

### **I. Arrighi's Arguments in *Adam Smith in Beijing***

Arrighi's thesis in *Adam Smith in Beijing* is that the failure of the US neo-conservative strategy to assure US dominance for the next century, and the successful economic rise of China, suggest that Smith's view of a "world market" (not a "capitalist") society, characterized by greater levels of equality among global regions, appears broadly accurate.

Arrighi's work begins with a consideration of the most serious of Marxian criticisms of world-systems analysis and world system history. This criticism points to the fundamental difference between explanations that are housed in the sphere of production and those that are housed in the sphere of exchange. Smith, to the contrary, spoke of "market relations" (not "capitalism"), and suggested such a model to have been in operation in Asia before the rise of Europe. Arrighi follows Wong, Pomeranz, Hamashita and Sugahara, in suggesting that in Asia we find an "industrious revolution" with "...no inherent tendency to generate the capital- and energy-intensive developmental path opened up by Britain..." (p. 33). This development "mobilized human rather than non-human resources" (p. 34, citing Sugihara), and it is this kind of a process that continues to dominate Asian development models in the 21<sup>st</sup> century.

To better understand this strategy, Arrighi re-reads Smith. For Smith, a vital role of state leaders is to hobble those involved in trade and production. The interest of such individuals, their treatment of labor, and their narrow pecuniary interests are viewed as anathema to the development of a healthy national state. Setting capitalists against one another is important both insofar as it reduces consumer costs and in that it holds their profits (and hence their power) in check.

Smith argues that China was pursuing a model of "natural growth" that is consonant with the interests of the entire population, as opposed to Europe's "unnatural and retrograde" pursuit of wealth by external (production and trade-based) means. But Smith fears that the "unnatural" path that Europe followed tends to facilitate the development of technology that is quickly harnessed to the military. This explains the victory of the "unnatural" developers. The resulting "... synergy between capitalism, industrialism, and militarism, driven by interstate competition, did indeed engender a virtuous circle of enrichment and empowerment for the peoples of European descent and a corresponding vicious circle of impoverishment and disempowerment for most other peoples" (p. 95).

This strategy has some limits. The over-accumulation of capital in the context of a Cold War and a revolt against the US-led “North” gave rise to serious problems in the 1960s and 1970s. To salvage western power and prestige, the leading states turned to a new system – jettisoning their interest in labor peace, industry, and military cost containment. The monetarist revolution of Thatcher and Reagan was accompanied by twin changes in orientation. First, we see the acquisition of globally unprecedented levels of debt to fund the military; and second we see a move to a finance-driven (as opposed to production-driven) economy.

Perhaps the largest problem with this strategy was that it cost the US the moral high ground of real hegemony. Hegemony is the unilateral ability to make the rules of the global game, and it exists because others acknowledge both the unrivaled power of a state and its willingness to act in the general interest of the global community. If the perceptions of power and legitimacy erode, the hegemon faces mounting competition. In the 1970s the US lost the war against Vietnam and leadership of the global monetary system, which degenerated into a quasi-market driven regime of increased instability. The US made the transition from the world’s largest creditor to the world’s largest debtor in less than one decade. “Others” would pay for US military ventures and the lifestyles of its citizens.

The US would enjoy a glorious, but necessarily brief, *belle Epoque*. Declining hegemony, especially those enjoying the last vestiges of power and privilege, are dangerous actors. Arrighi describes the unraveling of hegemony and the neo-conservative plan to generate another American Century. The war against Iraq was meant to solidify US energy supplies while establishing the dominance that great military victories create. But a defeat in Iraq (or the kind of stalemate that constitutes a political loss with the added bonus of huge continuing costs) confirmed the lessons of Vietnam, stripped away the veil of hegemony, generated animosity as the US tried to strong-arm others into providing support, increased US debt (raising the status of US creditors – Japan, China, and Taiwan), caused rifts with Europe, and stole US attention from other possible challenges.

Through no fault of its own, China emerges in the perception of the US as a major threat. China finds itself the only one of the “big three” US creditors that is not also a long-standing political ally. It is viewed as a political competitor in Asia, and is the most rapidly growing major economy. There are two questions that must be raised in light of possible US-China friction. The first is whether the US can come to terms with the rise of China. Arrighi suggests that the US business community, now dominated by finance and retailing, will strongly favor good relations with China and will prevail. The second question is whether China’s ascent can be peaceful. Here he argues that the Asian regional system was built on different foundations than that of the west. Europe brags about a single century of peace, while the Sinocentric Asian state system enjoyed periods of three and five hundred years with few serious wars. These were not eras of empire, were not plagued by serious arms races, and Asia finds “no self-reinforcing cycle” of expansion and militarization (p. 318). China is simply so large that it is dominant, but must remain internally, not externally oriented. The reason that a Sinocentric system might be able to remain at peace is exactly because China is not capitalist as per Marx, but market-based as per Smith, and hence less driven to militarism. Capitalists have not, nor are they likely to capture the Chinese state (p. 332).

Arrighi sees China’s non-capitalist system as a foundation for hope. The western models of dispossession and primitive accumulation, of class conflict, persistent inequality, imperialism and militarism are not present or necessary. Building upon advances in education and health care,

and with an energized peasantry that expresses its concerns over issues like environmental degradation and corruption, China offers a foundation for a very different global future.

## **II. Arrighi's *Adam Smith in Beijing* meets Gunder Frank's World System History**

Gunder Frank spent the last 20 years of his career building world system history (Frank 1987; 1990; 1991; and Frank and Gills eds. 1993). He was moving away from the world-system analysis of his long-time colleagues Wallerstein, Amin, and Arrighi. The culminating statement was *ReOrient: Global Economy the Asian Age* in written in 1998, and Frank's passing in 2005 found him in the midst of another volume tentatively titled *ReOrient the 19<sup>th</sup> Century* which was never finished (but which is being edited for publication by this author). Frank introduced many issues over this 20-year period, but five arguments are most relevant to *Adam Smith in Beijing*.

### **A. Globalism, not Eurocentrism**

The only legitimate way to apprehend the global system is to study it as a whole that is greater than the sum of its parts. For Frank, the global system is not an agglomeration of separate areas, but a single entity from which the allegedly unique processes of these various areas are derived. In adopting this holistic position, Frank was taking aim at Eurocentrism, which is the tendency to re-interpret the world and all its socio-economic and political processes from a European perspective. Eurocentrism was a malady that afflicted the entire pantheon of western thinkers from Marx and Weber to Douglass North and Milton Friedman to Immanuel Wallerstein and (the early) Gunder Frank. Europe had risen to dominance, then its scholars conveniently forgot the rest of world history and began theorizing about how "others" were deficient (whether in property rights or in stripping the means of production from their immediate producers).

Frank argued that such myths led us astray. The cream of European social thinkers had identified Asia as essentially moribund, even though early treatments (as epitomized by the attention China received from Adam Smith), had recognized Asia as a superior region in terms of levels of wealth, well-being, equality, and power. The European tendency to see itself as both unique and superior led to the methodological error of seeking the source of European dominance within Europe. But if scholars identify one actor as victorious over another, and seek the origins of that victory within the attributes of the victor, they are likely to find differences that they cannot guarantee are particularly relevant. Right and Left both offered explanations for the rise of Europe. From the Right came a two-pronged argument about property rights and small warring states. In Europe, it is argued, property rights became well established and that led to subsequent investment and growth. Without such rights it is irrational to invest. Such arguments were offered without much concern for the status of property rights in Asian history. In Europe, it is argued, packs of small warring states placed a premium on meritocracy and efficiency. Such arguments were offered without much concern for the existence of small warring states elsewhere. From the Left came arguments about the rise of capitalism. Asia was suggested to suffer from the "Asiatic Mode" of production wherein dynamic elements were short-circuited by strong states and their provision of necessary public works. If you do not strip the means of production from the workers, then the life-and-death ("ceaseless") struggle over the accumulation of capital will not emerge, and that is what gave rise to Europe's growth. For Asia to follow, it would have to adopt the capitalist path. Yet in Asia there had been significant dynamism. The very existence of this dynamism, much less the relevant processes involved, was poorly understood.

Frank condemned all of this as Eurocentric nonsense. He liked to tell the story of the drunk who lost his key and searched for it under a street light, not because that is where it was lost, but because that is where there was sufficient light to look for it. European social thinkers were looking under the European street light. They might find many things, but they would never find the key. Frank declared much of the western canon “Transitional Ideological Modes” (1991) and suggested that if there was no world (as opposed to local) feudalism or world (as opposed to local) capitalism, then there would probably be no world (as opposed to local) socialism either. Frank argued that we needed to find a new way to understand global development.

The alternative to Eurocentrism is a globalist or humanocentric perspective, which is in no way easy to create. For Frank, there is need for what he termed a horizontally integrative macrohistory. From this perspective we should search for the connections between the various events that are happening in regions that have traditionally been considered separate. He suggests that we adopt the perspective that “simultaneity is no coincidence” (Frank 1998:228), and search for the global explanations for phenomena in various areas.

### **A'. Arrighi on Globalism/Eurocentrism**

Arrighi's record as regards Frank's admonition that scholars abandon Eurocentrism and adopt Globalism would be mixed from Frank's perspective. *Adam Smith in Beijing* is not a Eurocentric work in the sense that a European socio-economic and political model is adopted and then generalized. Arrighi understands regions of the world in their own terms. Further, Arrighi takes a critical re-reading Smith seriously, especially as concerns Asia, and this is something Frank would applaud this.

The most important difference between Arrighi and Frank regards globalism. Arrighi's narrative is very specific in its discussion of separate models of development in regions that appear wholly independent in fundamental ways, and until very recently. There is no global system, nor much fodder for the creation of a horizontally integrated macrohistory. Arrighi wants to compare systems that may have overlapped in various ways, but that are nonetheless essentially independent. Frank would have applauded Arrighi for his lack of Eurocentrism, but he would not have countenanced Arrighi's ignoring of his prime methodological insight and his desire to find and understand the single world system.

### **B. Mutli-Angular Multi-Linearity, and not Bi-Lateralism**

If the world is constituted by a single system, what makes it tick? For Frank, it is the production and exchange of goods and services, and the structures that such interaction engenders in the regions that produce, process, finance, protect, are traversed, and/or receive the goods or services. Frank was much impressed with Janet Abu-Lughod's *Before European Hegemony*, in which she identifies a series of paths along which goods flowed. These paths tied the various regions of the world together in the 13<sup>th</sup> and 14<sup>th</sup> centuries, and Abu-Lughod's ability to link events in one area to subsequent events in those areas connected with it inspired Frank's similar effort.

Frank traces the entry of Europe into the Asian-centered global economy in the 16<sup>th</sup> century. Europe was a peripheral area whose connections to the vibrant Asian core were muted by a lack of silver or products of interest. This helps explain Europe's thirst for specie. When Columbus bumped into the Americas and realized that he was not in Asia, his thoughts turned to the availability of precious metals. Columbus's followers were rewarded with vast quantities of silver and gold that they could steal. Much of the specie went immediately west, from Acapulco

to the Philippines, in order to pay for what Frank characterized as Europe's third class ticket on the Asian economic train. Europe became part of the web of trade relations that constituted the global system.

There is much more information on the global economy of the 17<sup>th</sup> and 18<sup>th</sup> centuries, and Frank shows the various regions, the roles they played in the global economy, the ways in which they were related to one another, and how events in some areas impacted those in allegedly far-away places. These webs are identified in *ReOrient* (1998), and in the manuscript of *ReOrient the 19<sup>th</sup> Century*. The major trade routes are far easier to identify in the 19<sup>th</sup> century, as are two major "triangles" that dominate the movement of goods and money. The first concerns the trade of the UK, India, and China. The second joins the UK with Africa and the Americas. Most of the rest of the world was connected to the trade system, and one of the two triangles, as well. This complex system is described in terms of its many nodes and edges by in Frank's term "multi-angular multi-linearity" (See Denmark 2008b for details on the unpublished book manuscript).

This analysis did not win Frank many admirers on either side of the ideological divide. Neo-classical liberals cling to the belief that local rules regarding property rights hold the key to understanding the rise of the west. Much of traditional neo-classical economic history has been concerned with the tracing of bilateral relationships. Hence the UK is argued not to have exploited India or China because their bilateral trade relationships were not particularly unequal. Frank counters that if one considers the relationships *among*, not *between* the UK and its trading partners, the exploitative nature of the system is revealed. And of course as noted above, Marxians like Brenner identify Frank, along with Wallerstein, as a neo-Smithian given their concern with processes centered in the sphere of exchange. Brenner's discounting of Frank, and the arguments that have subsequently emerged, date back to the development of the dependency perspective (Brenner 1977; Frank 1978).

Finally, the world-system community, their alleged neo-Smithianism notwithstanding, views capitalism as the central defining element of the European centered world-economy that formed in the long sixteenth century. Its proponents are therefore unimpressed by Frank's attempts to abandon "capitalism" as an enduring element of world history, with Europe as its center (Wallerstein 1995).

### **B' Arrighi on Mutli-Angular Multi-Linearity, and not Bi-Lateralism**

Arrighi appears to agree with all of the descriptive elements in Frank's multi-angular/multilinearity scheme, though not with its foundation. Arrighi focuses on the exchange of goods and services among global regions, and furthers his notion that societies evolving toward specialties like finance are subject to very different processes than those that are more engaged with agriculture, production or exchange. Arrighi is not shy about pointing out that the rape of India gave Britain the money, manpower, trade surpluses, and export goods necessary to enrich itself at home, organize the global political economy to its benefit, and expand its power and influence abroad (pp. 137, 245, 338). This is exactly the kind of "multiangular multilinearity" Frank stressed.

In focusing upon such phenomena, Arrighi is bravely joining Frank on the firing line, where liberals will dismiss the work for not focusing on property rights, and marxians will lament its "Smithian" nature. While many of Arrighi's positions in support of Frank's conclusions are even more carefully explicated than they are in Frank's work, we still find regions that undergo autonomous changes akin to "transitions" that facilitate actions and lead to the acquisition of a

given status. These changes, which can emerge in states large or small, arise from unique constellations of local relationships, and play their role in the world, as opposed to the world playing its role (via the “location” of a state or region in the global system, as Frank stresses), on the state or region. Arrighi’s careful attention acknowledges the significant discoveries Frank made, but stripped of his fundamental methodological innovation, Arrighi implies that Frank has little to add to our ability to understand and discover still more.

### **C. Asia first, not Europe**

In *ReOrient* (1998) Frank fights a pitched battle against the established view of Asia in general, and China in particular, as backward and static. The data suggest otherwise, and Frank spares little effort in outlining Asian wealth, productivity, and industriousness, often from the sources compiled by the same scholars who nonetheless support the myth of Asian backwardness. After long analysis Frank concludes that the early European powers called “hegemonic” were in no way so globally powerful. Early Europe was a peripheral part of a powerful Sinocentric global system, and any suggestion that states like Portugal, Holland, or even early Britain were hegemonies is as much a myth as is the early 19<sup>th</sup> century revisionist historiography regarding Asia’s weakness.

Much of Frank’s argument is driven by trade and production data, but he also considers the reasons that Asia, superior in terms of production, distribution, and trade, fell behind Europe in the 19<sup>th</sup> century. For Frank, the answer has to rest at the level of the global system. China’s decline is based on three processes. Locally, Chinese capital-to-labor costs varied from the global average. The labor endowment argument suggests that China was caught in a high-level equilibrium trap where profitable family farms allowed the population to grow, and the development of technology was irrational in the context of plentiful labor. In Europe the demographics were different, and low levels of labor power drove technology (albeit much later than traditional treatments of the “industrial revolution” suggest). Frank also looks to global-level K-wave downturns that coincided with environmental challenges (Frank 2007) to exacerbate conditions in China. Frank follows Davis (2001) in tracing major upheavals in China (and elsewhere) to drastic weather-related changes at the turn of the 20<sup>th</sup> century, as well as the ways in which the UK (among other core actors) was able to take advantage of these changes. While China faced off against drought in the midst of a cyclical downturn, Europe found itself advantaged, as are many peripheral areas, when the core is suffering. Europe’s capital-to-labor rate differences became especially significant in light of global environmental challenges in k-wave downturns. China’s decline is only understandable when considered from a global perspective

### **C’. Arrighi on Asia First**

Nowhere does Arrighi pay greater homage to Frank than in his adoption of the entire question of Asian vs. European development. Perhaps the most fundamental element of Frank’s work concerned the idea that Europe did not emerge as the first region to “develop” in a world that had previously been “backward.” Asia was already a powerful and dynamic region when Europe began its slow and painful advance. Like Frank, Arrighi takes the debates on the rise and fall of Asia offered by Wong, Pomeranz, Sugahara, and Hamashita, most following Elvin, as the jumping off point of his work. Arrighi adds the critical element of superior European military power by tying the rise of capitalism in the region to the imperialism that emerged. This is clearly

an advance, but it also suggests that Arrighi is still looking to conditions in early Europe as being most important. I argued above that Arrighi missed the Frankian boat when he looked at states and regions, and not the whole system, to understand global development. Arrighi identifies the critical elements in global development as essentially European and not global in their genesis. Europe generates capitalism, capitalism generates imperialism, and Europe emerges largely of its own accord. Frank would take issue with Arrighi for trying to view early European states in this independent light.

Among the global-level reasons that Asia declined we find a prominent role for the environment. For Arrighi, the environment looms large in the future, not the past. The environmental threat to humanity is viewed as a problem that China must face if it is to successfully dominate the world system. Arrighi argues that the Chinese have a history, stemming from Mao and the “mass-line,” of both guiding and listening to the peasants. Upheaval in contemporary China emerges from many avenues, and these include environmental concerns. Arrighi’s conclusion is that China might well do better with environmental issues than did countries with bourgeois orientations to their revolutions. But these are forward-looking concerns, and Frank argues that environmental changes, some possibly man-made, were already at work in the altering of human history. Environmental challenges are not only in our future, nor are changes in one area independent of changes in another. Arrighi’s failure to acknowledge that such challenges played vital trans-regional roles in the past would be viewed by Frank as a significant weakness.

#### **D. Underdevelopment, not permanent underdevelopment**

In *ReOrient the 19<sup>th</sup> Century* we find one of the most interesting of the many auto-critics Frank ever offered: a revision of the belief (on his part and on the part of nearly all scholars identified with radical arguments on underdevelopment) that the west integrated itself deeply, fundamentally and perhaps permanently into its colonies and neo-colonies. Frank argued that India and China are producing at a very high level, as are many parts of South America and even Africa, because western penetration did not reach some of the inner areas or fundamental processes (Frank n.d.). Politically, he puts together a very carefully worded introduction to the argument that well-illustrates his care and concern:

The time has come indeed to review and where appropriate to revise the substantially ideological dogma of Western triumphalism over alleged ‘traditionalism’ elsewhere and simultaneously of much of the nationalist appeal to the ‘defenses’ of ‘traditional’ values and also its exaggeration of the deformation of the ‘Third World’ economies. To do so in no way negates the critique of ideologically inspired classical, neo-classical and Keynesian ‘scientific’ analysis and political propaganda by dependence and world-system theory and their alternative analyses. The re-examination of reality and its still other alternative analysis proposed below may also parallel the denunciation of the received wisdom of both now ‘traditional’ and the new dependence as well as world-system theory. . . . They have already been denounced by recent post-modernist, post-colonial, and sub-altern textual ‘analysis’ as far as the latter go, which is not much, even if some of the their critiques of Eurocentrism are well taken. For they offer no examination and much less any analysis of political economic reality and its history. Most importantly they have and offer no global

perspective, examination, nor political economic history and analysis of the one world economy and system whose own whole globe-encompassing structure and dynamic is so determinant of the possibilities, options and therefore successes and failures of its ever-changing geographic, political economic, social and cultural parts. They do not understand or convey how they themselves are responses to a systemic crisis (Frank nd.).

Empirically, Frank is quick to acknowledge the horrors of imperialism. In some areas, like the slave-hunting grounds of Africa, penetration was deeper and more formidable than in others. But he also suggests that the very obviously NON-neo-classical liberal systems of Asia appear to have adapted relatively quickly to the global economy of the current era. This suggests that the horrors of imperialism were not necessarily as distorting as we might have believed. Pre-colonial trade, production, social, and political patterns are re-emerging, and proving dynamic at that. This would not have been the case if Europeans had distorted and destroyed these patterns as thoroughly as they (and their critics) claimed. This is the meaning of Frank's reproblematicization of imperialism.

#### **D'. Arrighi on the impermanence of underdevelopment**

If Frank invited scholars to follow him into the abyss regarding the role of imperialism on underdevelopment, Arrighi once again bravely joins him. Arrighi argues "Western firms that set up production facilities in China could never penetrate effectively the vast interior of the country, and had to rely on Chinese traders in the procurement of raw materials and the marketing of their products. Western products and businesses did triumph in a few industries. But outside of railways and mines, the China market generally spelled frustration for foreign merchants" (p. 337). One might be tempted to charge both Frank and Arrighi with ignoring the structural distortions generated by imperialism. Imperialism is not simply about competition (via modes and in sectors that may not have even existed before imperialists arrived). Were it not for the fact that Frank well understands this given his studies of Latin America, and Arrighi well understands this given his studies of Africa, dismissing them both as apologists of imperialism or as naïve liberals would be easy. But given the history of these two scholars it is likely that they are speaking to different issues. Both Frank and Arrighi appear to hypothesize that imperialists may have altered their practices to follow the line of least resistance toward profitable activities in many parts of the periphery, and hence fell into step with local economic patterns in their quest for wealth, and not the other way around. Certain parts of the periphery proved more robust in this regard than might have been credited. This is the insight that Arrighi is supporting, and both appear to agree that it is an interesting and relevant line of analysis in terms of Asia's proposed future.

#### **E. Long Cycles, not random trends**

There is a dynamic pulse to world system history. The nature of "horizontally integrative macrohistory" is best apprehended by looking at the simultaneity of momentous events, (and not make the error of searching for similar outcomes) that are triggered, albeit in different contexts and hence with different implications, by global-level phenomena. Cycles of rise and decline traverse allegedly independent areas of the world system, but are discounted because they arose too early for linkages to have been formed (i.e. the Bronze Age in Frank 1993), or because they are allegedly too distant geographically. Frank wrote at length about such cycles, in great part because they provide a pulse for global events, and may aid nascent upswings or exacerbate

ongoing downswings. Much of the work on the rise of Europe and the decline of Asia is tied to Kondratieff waves of the 18<sup>th</sup> and 19<sup>th</sup> centuries. Longer cycles of some 500 years duration are discussed in other works (Frank and Gills 1993).

### **E'. Arrighi on Long Cycles**

Frank views global economic cycles as having played a key part in many historical phenomena. These cycles are born of the global system and spread their influence through the very fact that the system is global. K-wave downturns are central to Frank's image of decline throughout Asia at the end of the 18<sup>th</sup> century (Frank 1998, pp. 251-4), and again at the end of the 19<sup>th</sup> century (Frank 1998, pp. 260-5). The longest term cycles, extending beyond the capitalist evolutionary dynamic that pushed the current hegemon, like other western hegemons before it, away from production and toward finance, the only ones even alluded to in Arrighi's analysis. This is ironic, since Frank credited Arrighi with pointing him toward the existence of k-waves nearly 40 years ago.

### **III. The Way Forward**

Frank was never afraid of raising a thorny issue, repudiating his past treatments of that issue, and pushing his new ideas to the brink of sustainability. World system history stresses continuity over change, and in so doing it abandons capitalism as a world system in favor of a hunt for deeper, more enduring and altogether very different processes that drive both continuity and change in the global system over the longest historical term. This insight threatened to open yet another chasm on the left. Serious Marxians like Brenner already considered Frank to be a bit beyond the pale. Now world-system analysts would have to cope with a heretic in their midst.

Wallerstein, Amin, and Arrighi all responded with criticisms of Frank's advances in the summer 1999 issue of *Review*. Amin lambastes Frank for abandoning capitalism as a mode of production and with it, so Amin argues, any understanding of political economy. Wallerstein sees capitalism as the obvious mode (of production as well as analysis) that is necessary for us to understand past, present, and near-term future. Arrighi's criticism was different. He was concerned with a lack of any theoretical dynamic, or dynamism, in Frank's work. Arrighi appears to be acting on that critique in this book. His adoption of many of Frank's insights, (though few of his methods), shows that Arrighi recognizes the challenges facing world-systems analysis and the insistence of its adherents to focus on "capitalism" that Frank identified (for a review of these reviews see Denmark 2008b).

In Arrighi's mediation of the debate on the rise, demise, and rise of Asia, capitalism is defined as a local or regional system, but not necessarily global. Capitalism is what made Europe dynamic, and (apparently) what led to its financial phase and its decline relative to China, which does not have a capitalist system. Arrighi appears to agree with Frank that capitalism is not as fundamental as many scholars believe. A capitalist region might have dominated the system for a time, but its hold was not as profound as to structure all areas or all subsequent world history. Instead, we need to look to the dynamics of Smithian "market systems," and more fundamentally, to the political economy of relations between markets and states, to understand global dynamics. Market systems are older than capitalism, and present us with a number of continuities over the long historical term. For Arrighi, as for Frank, the way forward will not manifest itself through the assumption that capitalism emerged in Europe and will necessarily expand throughout, or perpetually dominate the world. Capitalism was a potent force, but one that may be entering its

final decades. Assuming that our next political system will not be a dictatorship of the proletariat, we will need to understand the decline of the west and the rise of Asia. Frank tells us to follow a global-level set of explanations. Arrighi tells us to look to regional and state-level phenomena. The way forward rests with finding the appropriate role of both. Work on the gulf that still separates Arrighi and Frank in this regard will serve the cause of understanding our past, present and future.

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## GIOVANNI ARRIGHI'S TAPESTRY OF EAST & WEST

**John Gulick**

*Department of Information Sociology*

*Hanyang University at Ansan, Korea*

**john\_gulick@hotmail.com**

What a difference a year makes. While Giovanni Arrighi's *Adam Smith in Beijing* is a complicated tapestry, threaded with multiple strands and sub-themes, if it offers any single master thesis, it is this: over the last four or so decades, the fading of US primacy and China's precipitous ascent are dialectically interconnected, structured processes abetting one another. And, for good measure: China's ascent just might culminate in the formation of a qualitatively novel, world community of market-linked states orbiting around East Asia, but without a dominant center (pp. 7-9). Were I putting together this review in mid-2008, I would express profound skepticism about both theses. Certainly, such skepticism would issue not from the conviction that US global power is invincible, but rather from an evidence-based belief that Arrighi habitually underestimates the extent to which China's ongoing rise in the world order will be traumatically disrupted by the inevitable wipeout of highly leveraged paper assets on Wall Street (and the City of London, for that matter). Well, in the wake of the planetary financial crisis and economic slump, the early returns on China's coping capacity are in. The ways in which China is responding to and weathering the storm vindicate more than a few of the claims and insights Arrighi advances in *Adam Smith in Beijing*, including some that I would have regarded with raised eyebrows a year ago. The thrust of this review is a critical assessment of *Adam Smith in Beijing* from the standpoint of how well or poorly its theoretical maneuvers and key arguments allow us to make sense of the current shake-up in the global system, with a focus on the interdigitated destinies of China and the US. In this evaluation I will take a page out of Arrighi's own playbook and try to bear in mind the crucial distinction between geo-economic and geopolitical ebbs and flows of the moment and longer-term hegemonic ruptures and transformations.

First, however, I will remark on other aspects of this many-faceted book, ones not so integral to the China-US dynamic evolving before our eyes. In Part One, Arrighi offers an imaginative exegesis of Adam Smith's *oeuvre*, with several ambitions in mind. Arrighi's creative reconstruction of Smith aims to remind us of the developmental accomplishments of Chinese civilization prior to the incursion of Western gunboats, and to demonstrate that it was precisely the military-imperial character of Western capitalist expansion, rather than the cheapness of the West's factory produced goods, that in the final instance accounted for the century of cataclysmic decay to which China was subjected (p. 77). Fair enough. Of greater concern for the overarching message of the book, Arrighi's innovative reworking of Smith is designed to elucidate the idea of a "non-capitalist market society," a peculiar political economy in which a paternalistic state governs market competition to advantage efficient, family-based petty commodity producers (middle peasants, handicraft artisans, *etc.*) against growth-restraining monopolistic interests, in the name of promoting a broadly shared prosperity (pp. 34, 44, 47). This "non-capitalist market society" is especially effective at generating increases in public welfare when it operates at a

scale large enough (putatively but not necessarily national) to allow an increasingly specialized social division of labor to take root (pp. 25, 54-55). Selectively appropriating from the “California School” of Chinese economic historians, Arrighi contends that “non-capitalist market” institutions and practices were the secret to China’s developmental success prior to the mid-Nineteenth Century. More provocatively, this is a set-up to his later suggestion in Part Four (Chapter Twelve) that China’s dizzying economic performance in the post-Mao era can be attributed in part to the numerous ways in which the Chinese Communist Party (CCP) has enabled this long-buried but not dead legacy of small-scale entrepreneurialism to flourish anew. In other words, Arrighi leverages a reinvented Smith to help explicate why China’s post-1978 reforms have yielded such impressive outcomes, and more controversially to call into question whether China’s recent mighty GDP gains have unfolded in the context of a full-blown transition to capitalism (pp. 358-361).

Admittedly, I am far from an expert on many of the issues or debates Arrighi joins in Part One. But I suspect that in his admirable zeal to reclaim Smith from neo-liberals who wrongly posit Smith as the patron saint of the “night watchman state,” Arrighi bends the stick too far in the other direction. Or more to the point, it seems that once Arrighi decides to press his rehabilitated Smith into service as a translator and defender of China’s glorious past and (especially) the CCP’s present socio-economic policies, a certain heuristic license about what Smith really had to say prevails. Would Adam Smith himself recognize the portrait that Arrighi paints of him? What is more, with Arrighi as ventriloquist, too often Smith’s “widening and deepening social division of labor,” as well as other Smithian constructs, resemble clever tropes counted on to do explanatory work through their mere invocation, rather than clarifiers of mundane empirical realities. As for Arrighi’s agnostic refusal to acknowledge that China today is undeniably capitalist, other reviewers in other publications (e.g., Joel Andreas in *New Left Review* and Richard Walker in *Historical Materialism*) have covered this ground more than adequately. Even if one grants Arrighi his Braudelian definition of capitalism – a definition which tosses overboard the degree to which surplus allocation is shaped by the prevalence of wage labor, and instead revolves around the degree to which the state surrenders the socio-economic “commanding heights” to private capitalists (p. 92) – on this score the facts appear to tilt in the favor of Arrighi’s critics, at least more so than he cares to admit. In one curious passage where Arrighi puzzles over the subjective motives of capitalists (p. 81), Part One does furnish a hint as to why Arrighi is oddly immune to Marxists’ insistence that the M-C-M’ circuit has a tendency to objectively condition all politico-economic relations in those societies in which it becomes firmly embedded.

Part Two is both tough and easy to summarize. The task is tough because Arrighi engages his material from a rather obtuse angle, and although his intentions are upfront, the results make one wonder just how germane Part Two is to his overall project. Arrighi ostensibly compares the beginning and middle stages of US hegemony’s downward spiral to those of Britain one hundred years earlier; discerning the unique particulars of US decline and the global framework within which this decline is occurring might lend some clues as to what alternative world system is to follow (p. 101). But Arrighi goes at his subject by way of criticizing Robert Brenner’s consideration of the reputed long stagnation in the global economy since the late 1960’s/early 1970’s. Somewhat disconcertingly, the tail ends up wagging the dog, and the bulk of Part Two is devoted to Arrighi having at Brenner. The alleged rationale of this detour almost vanishes entirely; one gets the impression that Arrighi contrived to include already published writings on

the faults of Brenner's analysis in this book, but did not find an ideal place to make them fit. On the other hand, in light of Arrighi's recent death, *Adam Smith in Beijing* now tragically turns out to be his last major work; despite the fact that Part Two feels like an awkward outlier, at least Arrighi's significant critique of Brenner has been preserved between covers.

The easiness of summarizing Part Two rests in Arrighi's mode of attack: he principally draws from familiar arguments initially made 15 years ago in *The Long Twentieth Century*. But just because his arguments have a recycled quality does not mean they are not deployed to devastating effect. I wandered into Part Two more or less sympathetic to Brenner's analysis of the reputed long stagnation, vaguely aware of but not badly troubled by its economic biases and limitations. In a nutshell, Brenner avers that the global economy has yet to climb out of a secular slowdown that began roughly forty years ago because of the manner in which the leading capitalist states (the US, Germany, and Japan) and industrial firms from the leading capitalist states have responded to lagging rates of profit (*i.e.*, lagging relative to the boom period of the post-World War II "golden age") (pp. 102-105). Industrial overcapacity has reigned because firms from the three pillars of the "Triad" have been reluctant to liquidate requisite amounts of fixed capital in plant and equipment, while the finance ministries of the Triadic states have attempted to push the costs of stagnation onto one another through mercantilistic exchange rate policies (chiefly *via* competitive devaluations) (pp. 106-107, 109-110). By the time I was done digesting Arrighi's exposé of the errors of Brenner's interpretation – errors that range from Brenner's failing to appreciate the class struggle dimensions of Nixon unilaterally severing the dollar-gold link and letting the greenback float (pp. 127, 130), to his too narrowly concentrating on Triadic states and Triadic industrial firms as the central actors of late Twentieth Century geoeconomics (pp. 131-132) – I upbraided myself for my formerly lenient disposition toward Brenner. The ultimate take-home lesson of Arrighi's critique is that Brenner misconstrues the fundamental meaning of the events and trends formed when world capitalism has intersected with geopolitical competition these last forty years. The basic story is how the US has tried to prolong its imperial predominance through monetary-financial engineering (with the Volcker shock of 1979-1982 being a decisive episode) (pp. 108-109, 146-147, 160-161), rather than how the endemic problem of capital overproduction has been exacerbated by the absence of concerted interstate cooperation between the US, Germany, and Japan (pp. 142, 149, 151, 156, 159, 161). While this lesson is something of an old chestnut for readers schooled in Arrighi's work, it bears repeating – although a Part Two far from seamlessly inserted into the narrative arc of the book may not be the most desirable delivery vehicle.

Part Three is where Arrighi turns his attention to the guiding motif of the book, the accelerating interrelationship between US decline and China's ascent. Here Arrighi mounts a defensible argument that the Bush Administration's futile effort to prolong US primacy has further loosened the already weak US grip on the steering wheel of the global system. Tripped up by a costly and unwinnable occupation in Iraq and a broader "war on terror" that further damages US legitimacy and saddles it with additional onerous debt, the world dominance of the US is waning (pp. 184-189, 195-197). Arrighi identifies a variety of phenomena that signal an inverse dynamic between the ebbing of US primacy and the making of a new China-centered world market society. Because the US now precariously relies on Chinese purchases of Treasury notes and other dollar-denominated securities to balance its exploding foreign debt, and because the US has also come to depend on China's strategic role as an arbiter in the interminable North Korean nuclear emergency, China enjoys an increasing freedom of action *vis-à-vis* the US (pp. 196, 204-

205). China has parlayed this freedom into undertaking daring economic diplomacy initiatives with raw material-rich Latin American republics (p. 207) and championing more even-handed multilateral trade liberalization as a prominent member of the G20 group (p. 208). Arrighi also marvels at how China has kept an equidistant geopolitical independence from all of the major capitalist centers and thereby aggregated its hegemonic capacities. For example, transnational corporations from each center eagerly seek privileged access to China's inestimable labor, product, and consumer markets, and Chinese developmental agencies successfully pit them against one another to exact maximum technology transfer benefits (pp. 208, 355-356). Implicated in all this is the increasing reorientation of Japanese and South Korean trade and investment vectors away from the trans-Pacific and towards the East Asian heartland (p. 205). Arrighi goes so far to effuse that the charms of the Chinese market mean that "China is no longer seen as a serious threat" by other Northeast Asian states (pp. 260-261).

Arrighi gets a lot right here, and many of the tendencies depicted in Part III have carried forward after the publishing of *Adam Smith in Beijing*. In the midst of the worldwide credit contraction and recessionary turmoil, China has helped prevent more than a few resource-extracting (especially hydrocarbon-exporting) economies from toppling over the precipice. It has plowed its voluminous currency reserves into the rescue of resource extractors in places such as Iran, Russia, and Turkmenistan, extending discounted loans in exchange for equity stakes and long-term supply contracts. Certainly schemes of this sort are not unadulterated generosity on China's part – it expects a reasonable rate of return on its portfolio investments, not to mention guaranteed access to critical resources it cannot secure domestically – but in fact such "win-win" actions earn China plaudits with other regimes that do not belong to the high-income club, and are emblematic of a hegemon-in-training. However, not all of Arrighi's Part Three examples of China resisting US pressure prove that China has augmented its autonomy in the face of an enfeebled US. For instance, as a case of China successfully asserting its independence, Arrighi spotlights Chinese authorities rebuking US Congressional demands to unhinge the *yuan*-dollar peg. But he does not ponder that China's opposition to letting the *yuan* float freely, rather than symbolizing its invulnerability to the special pleading of the US, might instead have stemmed from the very vulnerability of its accumulation model, held hostage by the willingness of liquid capital holders the world over to prop up asset bubbles and debt-financed consumption in the US. Arrighi can also fairly be accused of exaggerating how much Sino-Japanese economic integration has overridden Sino-Japanese geopolitical tension. In Part Four, Arrighi does acknowledge that the renewal of the Japan-US security pact has re-tethered Japan to US strategic objectives in East Asia, and in a fashion specifically poised against China's emergence as a regional superpower (pp. 281-282, 288, 294, 299-300). But he problematically seems to associate Japan's serving as the "Britain in Asia" for the US with the Koizumi-Abe governments in particular, rather than with the deep structure of the contemporary Japanese polity. Moreover, in his discussion of the possibility that the US might draw down its imperial legions stationed in East Asia, thus paving the way for more regional policy coordination between China and Japan (p. 301), it is plain that Arrighi just does not get how many aspects of Sino-Japanese enmity have little or nothing to do with Japan's vassalage to the US.

In Chapter Ten of Part Four, Arrighi keeps his focus on the array of strategic choices at the disposal of the US as it scurries to adapt to China's rise, a chore made all the harder once it became apparent the US would not get the pushover client state it sought in post-Saddam Iraq (p. 277-308). In handicapping the China policy options of the US going forward, Arrighi reveals both

the strong and the weak points of his understanding of the mutual constitution of the US and Chinese political economies. Arrighi appropriately notes just what hobbles US attempts to respond to China's ascent – rampant imports of made-in-China consumer goods and Chinese financing of the Pentagon's spendthrift ways have become fulcrums of US modes of economic growth and power projection, but at the same time these commodity and capital inflows are hollowing out the US manufacturing base, giving China indirect influence (and at an extreme, a "negative veto") over US imperial adventures, and preparing the ground for nationalist-protectionist anti-China populism (of the Lou Dobbs type) with volatile domestic political consequences (p. 305). Arrighi keenly comprehends that the *ad hoc* nature of recent US strategic reactions to China's ascent is partly due to the indissoluble tension between the globalist orientations of the Fortune 500 and the anti-globalist impulses of a large bloc of US voters (pp. 303-306); this tension shows itself in flaps such as the US Congress prohibiting China National Offshore Oil Company's bid to buy out Unocal, as well as its perennial threat to punish Beijing's purported "currency manipulation" with tariffs (p. 295). Weary of hypocritical "currency manipulator" accusations hurled by the likes of Wall Street bailout whiz-kid Timothy Geithner, and sincerely worried that its hard-earned reserves will shrivel if dollar inflation materializes, not only are China's words about the need for a successor to the fiat dollar standard becoming more voluble, its deeds are starting to match its words. This is reflected in China's aforementioned raw materials buying spree, cashing out some of its dollar reserves for resource stakes in the semi-periphery and periphery, as well as its brokering of *yuan*-based commerce with large-market trading partners (Argentina, Brazil, Malaysia) beyond the US-Europe-Japan axis. *Adam Smith in Beijing* anticipates moves such as these, and Arrighi himself would welcome them.

Arrighi crowns Part Four with an in-depth exploration of the how's and why's of China's amazing economic achievements, from the period of Deng Xiaoping's paramouncy to the current leadership of the Hu Jintao/Wen Jiabao team. Even a soul who thinks Arrighi insufficiently sensitive to the super-exploitation of rural migrants, the trials of laid-off state-owned enterprise workers, or the hardships of deadly pollution casualties and land grab victims will discover some gems of insight here, if he or she keeps an open mind. Arrighi maintains that China has been such a giant magnet for foreign investment (not all of it of the low-tech variety, incidentally) and such a tremendous success in the export game not so much because of its inexpensive labor, but because its labor is skilled, healthy, and productive relative to preponderant wage rates (p. 351). To his credit, Arrighi insists that the breathtaking progress made in the fields of mass education and basic medicine during the first three decades of Chinese socialism stand behind the high productivity of today's Chinese proletariat and salariat – in other words, if you peel away the vaunted "China price," you may just find the residue of Maoist egalitarianism (pp. 357, 370-371). Arrighi also makes the highly contested case that China's knockout GDP growth has been more internally than externally driven (pp. 353, 356). On this score, the jury is still out; one needs to be a statistical genius to parse the technical debates (with Arrighi shadow-boxing Martin Hart-Landsberg and Paul Burkett) on just how much China's growth performance has been stoked by foreign investment and global demand. Finally, reviewing Arrighi's survey of China's post-Mao political economy would not be complete without pinpointing one of his more questionable gaffs: he correctly celebrates the rural cooperative enterprises for being heroic generators of rural employment and non-farm development (pp. 361-364) but elides the fact that these cooperatives effectively disappeared in the late 1990's in the aftermath of further reforms.

The most stimulating current running through Part Four is Arrighi's suggestion that it is China's living tradition of popular rebellion which could have the final say as to whether and how the grotesque injustices internal to China, and its dubiously "non-capitalist market" society, will be remedied (pp. 376-378). Since he himself is favorably inclined to most of the CCP's post-1978 reform program – although he consistently cops to its excesses, especially its dystopian ecological implications – Arrighi would not put things so starkly. Nonetheless, Arrighi merits a bonus for appreciating the complex dialectic between mass mobilization and party-state initiative, a dialectic which could yet recombine to turn China down a more progressive path, one less monomaniacally driven to "get rich" whatever the human and environmental damage. Under duress from an uptick in myriad forms of social unrest, the CCP of Hu and Wen has endeavored to smooth the rough edges of China's breakneck accumulation drive, granting tax relief and income allotments to the rural poor, and requiring that all transnational subsidiaries collectively bargain with China's state-controlled workers' union.

Arrighi contemplates that policy turns such as these, launched under the banner of "harmonious development," might constitute proof of the CCP's continued receptivity to being pushed by movements from below, to better meet the needs of the bottom two-thirds of the population (pp. 16-17, 378). The assortment of socially ameliorative and pump-priming measures the CCP has adopted to cushion the impacts of the current global economic crisis – job retraining for sacked migrant workers, pay hikes for school teachers, massive expenditures on physical infrastructure, and such – lends credence to this idea. Without further gradual movement away from the still US-centered international monetary and financial system, there will be limits on just how much the CCP can direct China's stores of wealth toward a more equitable regime of growth. But that movement does seem to be gathering steam. As for Arrighi's hopes that China will embrace the best of its materials-conserving and labor-intensive past in the name of ecological sanity (pp. 388-389), one need not be a peak oil apocalyptic or climate change catastrophist to comment that Arrighi actually understates the gravity of the situation.

In sum, *Adam Smith in Beijing* is a very good book, rife with artful theoretical touches and politically useful arguments, and both a stiff challenge and a real reward to engage in a dialogue.

## HISTORIES OF THE PRESENT: GIOVANNI ARRIGHI & THE LONG DUREE OF GEOHISTORICAL CAPITALISM

**Thomas E. Reifer**  
*Department of Sociology*  
*University of San Diego*  
reifer@sandiego.edu

One of the more telling features of the present conjuncture is the scarcity of analysis able to squarely place today's global turbulence and the current crises in geohistorical perspective. In terms of the *longue duree* of capitalism since its late medieval and early modern origins right up to the present, arguably no intellectual has developed a more formidable analysis of the present crisis than Giovanni Arrighi. Arrighi of course, along with Immanuel Wallerstein (1974, 1980, 1989) and the late Terence Hopkins, was one of the originators and foremost proponents of the world-systems perspective on European domination, global capitalism, global income inequalities and "development" (see Arrighi, Hopkins & Wallerstein, 1989). The world-systems perspective itself – challenging as it did the dominance of post-World War II modernization theory - came out the movements of the 1960s and brought together fruitful synthesis of Marxism, Third World radicalism, and critical currents in social science, from the work of the French *Annales* school to that of the German historical school (see Goldfrank 2000).

Wallerstein and Hopkins developed the world-systems perspective at Columbia University and eventually migrated to Binghamton University in the 1970s. Arrighi joined the faculty in the late 1970s playing a role in the graduate program and the Fernand Braudel Center and participated in various collective research working groups.

The range and scope of Arrighi's work – from analysis of settler capitalism in Southern Africa to his analysis of *Adam Smith in Beijing* is truly an astonishing achievement. Ravi Sundaram, director of the Centre for the Study of Developing Societies in Delhi, noted at a conference honoring and critically discussing Arrighi's work that Giovanni exhibited a generosity of spirit towards his intellectual interlocutors that had few equals.<sup>1</sup> Arrighi thrived on spirited debates within the framework of mutual solidarity, surely a necessary part of the renewal of progressive forces around the globe.

The conference in Madrid was intended to be a sort of reunion and an occasion to discuss the current crisis and Giovanni's work in historical perspective. Despite his absence (due to illness) the conference was a great success, with spirited discussions and debates maintaining a growing energy for the entire five days, often during marathon sessions.

Born in Milan in 1937, his family's anti-fascist attitudes shaped Giovanni's political trajectory. Originally trained in neoclassical economics in Italy and then involved in a series of different business enterprises, Arrighi eventually migrated to then Rhodesia (Zimbabwe) in the early 1960s. William Martin (2005, p. 381) noted that "World-systems analysis, like the capitalist

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<sup>1</sup> Papers from the conference, which was sponsored by Spain's Museo Nacional Centro de Arte Reina Sofia (see <http://madrid2009arrighi.blogspot.com/>), are expected to be published in an edited volume in the next few years.

world-economy, has deep African roots.” Arrighi’s (2009) migration to Africa was in his own words, “a true intellectual rebirth,” one where he “began my long march from neo-classical economics to comparative-historical sociology.” Here, along with others he developed a pioneering politico-economic analysis focused on the contradictions engendered by the proletarianization and dispossession of the Southern African peasantry.

In Rhodesia Giovanni met Bhasker Vashee. They were even cell mates, jailed for their anti-colonial activities. By 1966 Giovanni had moved to Dar es Salaam, at the time when Tanzania was a home for national liberation movements from all over Africa. Here, Arrighi’s colleagues included a wide range of radical scholar activists, including John Saul, Walter Rodney, Immanuel Wallerstein, and a host of others.

Later Giovanni returned to Italy to teach and was involved in movements stressing the autonomy of the working-class – *autonomia* – helping to found Gruppo Gramsci. By the late 1970s Arrighi had turned his sights towards the analysis of imperialism, completing the landmark work *The Geometry of Imperialism* (1983). It was around this time that Giovanni began to reconceptualize this work as a bridge towards what would become arguably his most significant book, *The Long Twentieth Century*. This manuscript is widely considered the single most important book ever published on the *longue duree* of world capitalism to date, not the mention perhaps the most fundamental work for understanding the current crisis of global capitalism. Arrighi argued that capitalism evolved over a series of long centuries, within which recurrent combinations of governmental and business organizations have led successive systemic cycles of accumulation (SCA). These cycles have been characterized by material expansions of the capitalist world-system; when these expansions reach their limits, capital moves into the realm of high finance, where interstate competition for mobile capital provides some of greatest opportunities for financial expansions.

The obverse side of these financial expansions has been the reciprocal stimulus of military industrialization and haute finance as part of the larger restructuring of the world-system that accompanies autumns of SCAs and the hegemonic structures of which they are a part. Financial expansions initially lead to a temporary efflorescence of the declining hegemonic power. Eventually, however, they give way simultaneously to increasing systemic chaos as well as new organizational revolutions in an emerging hegemonic bloc of business and governmental organizations “endowed with ever-more extensive and complex organizational capabilities to control the social and political environment of capital accumulation on a global scale,” a process which as Arrighi (1994, pp. 14, 18) noted has a clear “built-in limit.”

Unlike Wallerstein, but like Braudel, Arrighi locates the origins of world capitalism not in the territorial states of Europe during the long sixteen century, but instead in the Italian city-states of the 13<sup>th</sup> and 14<sup>th</sup> centuries. Arrighi then traces the alliance of Genoese capital and Spanish power that produced the great discoveries, before going on to analyze the changing fortunes of the Dutch, British, and US hegemonies, their respective SCAs and the challenges posed to US power the by the East Asian economic renaissance. In a series of subsequent works that made up what Arrighi called a unplanned trilogy, *Chaos & Governance in the Modern World System* and *Adam Smith in BeijingI*, as well as in a series of articles and updated version of the *Long Twentieth Century* (forthcoming), Arrighi carried this powerful analysis forward to the present.

Arrighi’s unique perspective on large-scale, long-term social change seems eerily prescient in light of recent events. For example, Arrighi & Silver’s (1999, pp. 273-274)

proposition, “The global financial expansion of the last twenty years or so is neither a new stage of world capitalism nor the harbinger of a ‘coming hegemony of global markets.’ Rather, it is the clearest sign that we are in the midst of a hegemonic crisis. As such, the expansion can be expected to be a temporary phenomenon that will end more or less catastrophically...” Today

the financial expansion itself seems to rest on increasingly precarious grounds,” resulting in a “backlash” which “announces that the massive redistribution of income and wealth on which the expansion rests has reached, or is about to reach, its limits. And once the redistribution can no longer be sustained economically, socially, and politically, the financial expansion is bound to end. The only question that remains open in this respect is not whether, but how soon and how catastrophically the present global dominance of unregulated financial markets will collapse...But the blindness that led the ruling groups of these states to mistake the “autumn” for a new “spring” of their hegemonic power meant that the end came sooner and more catastrophically than it might otherwise have...A similar blindness is evident today.

So

A more or less imminent fall of the West from the commanding heights of the world capitalist system is possible, even likely...the United States has even greater capabilities than Britain did a century ago to convert its declining hegemony into an exploitative dominion. If the system eventually breaks down, it will be primarily because of U.S. resistance to adjustment and accommodation. And conversely, U.S. adjustment and accommodation to the rising economic power of the East Asian region is an essential condition for a non-catastrophic transition to a new world order (Arrighi & Silver 1999, pp. 272-288).

In *Adam Smith in Beijing*, Arrighi returned to many of these issues in light of reemergence of a Chinese-centered East Asia and America’s reckless gamble to continue its hegemonic reign with the invasion and occupation of Iraq, home to the second largest reserves of oil in the world. Rather than heralding a new age of US hegemony Arrighi (2007) emphasized instead how the ambitions of the Project for the New American Century, whose members staffed key positions in the Bush White House, ironically has increased the long-term likelihood that we will increasingly be speaking of the US in the 21<sup>st</sup> century Asian age.

*Adam Smith in Beijing*, like its predecessors, is a difficult and ambitious book because of the density of the analysis and the scope of its ambitions. Arrighi (2007: xi) notes, the book’s purpose “is as much to offer an interpretation of the ongoing shift of the epicenter of the global political economy from North America to East Asia in light of Adam Smith’s theory of economic development, as it is to offer an interpretation of *The Wealth of Nations* in light of that shift.” At the same time, the book also tackles a number of other issues, notably the reasons for what Kenneth Pomeranz (2000) has called the “great divergence” between Western Europe, its settler offshoots and East Asia. In the latter part of the book Arrighi traces the growing bifurcation between US global military power and East Asia’s increasing economic power – evidenced in the accumulation of trillions surpluses in Chinese-led East Asia and their investment in US treasury security and other dollar-denominated assets, including sub-prime mortgages. These developments are seen as anomalies which have no real precedent in previous SCA and related hegemonic cycles.

Arrighi's book takes up an appreciation and critique – albeit in comparative world-historical perspective - of what many consider to be the most significant analysis of the present long downturn, by Robert Brenner (1998, 2002, 2006). In many ways this is not surprising, revealing as it is of Arrighi's method. As a teacher and scholar, Arrighi always instructed his students and colleagues to attack an argument on its strong and not weak points, challenging criticisms by reminding them of their responsibility to come up with better explanations than those they criticized.

It was Brenner's critique of "neo-Smithian Marxism" and associated views on the origins of capitalist development that contrasted most sharply with that of the world-system perspective. In terms of their analysis of the origins of capitalist development, Arrighi and Brenner could not be further apart. The burden of Brenner's critique of Wallerstein's world-system perspective focused on the centrality of class relations and the class struggle in agriculture, to the exclusion of virtually everything else, locating the origins of capitalist development in the English countryside as opposed to in the context of an emerging world-system.

Yet on the question of capitalist agriculture Wallerstein and Brenner, despite their great differences, following in the tradition of the *Annales* focus on rural history have more in common with each other than with Arrighi's *Long Twentieth Century*, in which agricultural capitalism plays little to no role in the origins of capitalist development on a world scale. As Walter Goldfrank (2000, p. 162) remarked Wallerstein's focus had much in common with Barrington Moore (1966). In dramatic contrast, Braudel's version of capitalist history, following Oliver Cox (1959), located capitalism on the top level of world-trade and high finance – and only to a lesser extent industry – and that is the position to which Arrighi largely adhered.

In terms of the current crisis, though, Arrighi and Brenner have much more in common, both in terms of the analysis of the long boom and the subsequent long downturn, crisis, and financial expansion. One paradox here though is that Brenner gives an account of the crisis that is quite similar to Arrighi's own neo-Smithian analysis of the end of all material expansions, that increasing competition brings down profits. Thus, both Arrighi and Brenner consider the current crisis not as a financial crisis as such but instead as emblematic of a much deeper crisis of capitalism and capitalist production – exacerbated by government action - dating from the long downturn of the 1970s. Brenner however largely characterizes this as a crisis of over-production, whereas Arrighi's sees it instead as primarily a crisis of over-accumulation. Arrighi, in contrast to Brenner, sees the current long downturn and crisis and the related financial expansion as related to the continuing crisis of US hegemony, akin to the troubles of British hegemony in the late 19<sup>th</sup> and early 20<sup>th</sup> century, including to some degree to power of labor. Once again, in contrast, Brenner, he largely discounts the role of the class struggle in the origins of the long downturn, focusing instead almost exclusively on inter-capitalist competition.

Another difference is Brenner's almost exclusive focus both on manufacturing and Japan, Germany, and the US, in contrast to Arrighi's greater emphasis on finance and the financialization of capital – notably the development of offshore money markets – as well as US hegemony and global geopolitics. A decisive turning point here for Arrighi that relates both these realms was the US-led militarized financial expansion of the late 1970s and early 1980s, within which the US competed for mobile capital on the global capital markets by borrowing via the most regressive means possible. This was a crucial shift, as Washington abandoned its earlier tolerance for forms of developmentalism in favor of a counter-revolution in development policy associated with the so-called Washington Consensus.

In an interview with David Harvey, Arrighi (2009) reflected on his work. Harvey queried: “The current crisis of the world financial system looks like the most spectacular vindication of your long-standing theoretical predictions that anyone could imagine. Are there any aspects of the crisis that have surprised you?” Arrighi responded that he did miss the details of the bubbles, from the dot com or the housing bubble, to the periodization of the Belle Epoque of US hegemony, which now he sees as really gaining steam under Clinton. “With the bursting of the housing bubble, what we are observing now is, quite clearly, the terminal crisis of US financial centrality and hegemony.”

Among the central aspects of Arrighi’s (1994, pp. 4-5; 2009, pp. 90-94) periodization of global capitalism is the fundamental convergence with Braudel and Schumpeter’s emphasis on capitalism’s flexibility, non-specialization and capacity for change and adaptation. Herein lies the privileged role of money capital and the system of national debts in restarting capitalism as it accumulates in declining centers and aims to lay claim on future incomes by investing in rising hegemony, from Venice to the US. Equally as important is Arrighi’s steadfast related emphasis on geohistory in which he demonstrates how recurrent combinations of geography and history have made and unmade capitalist fortunes.

Among the most important albeit neglected aspects of Arrighi’s analysis – and one central to understanding his deployment of Gramsci’s concept of hegemony in the context of capitalism as a global system – is that it was the recurrent battles between capitalist and territorialist powers that have always been central to the making and remaking of global capitalism. Here, though seldom noted, Arrighi’s capitalist and territorialist powers were to a great extent synonyms for the recurrent battles between naval and later air powers and territorialist powers.

As Arrighi emphasizes, financial expansions and the intensified competition for mobile capital and growing systemic chaos which as a rule characterize hegemonic transitions each ended in the remaking of the global system on new and enlarged social foundations under a rising hegemonic power, or at least the collapse of the Continental challenger. The last episode of this was revealed most recently in the dramatic fall of the Soviet empire and Soviet Union itself, in a battle won on the global capital markets as much as on any battlefield, as Arrighi many times underscored. This schema revealed capitalism’s eclecticism and flexibility and the evolutionary nature as it grew to global scope.

Another critical aspect of Arrighi’s (1990, 1991, 2002) work is the analysis of geoeconomic regions and global income inequalities. Here Arrighi always aimed to take into account: a) the pre-colonial heritage; b) the impact of colonialism; and c) post-colonial developments, within the framework of comparative world-historical analysis. The thrust of Arrighi’s most recent work was to combine his long term comparative analysis of sub-Saharan Africa with his more recent work on East Asia, as well as to analyze development in other regions, from what he called the organic core – including Western Europe – and parts of Italy.

The present day crisis of capitalism on a world scale would seem an especially fortuitous time to revisit the important debates on the nature of capitalist development, its origins, future trajectories, possible demise and realistic world-historic alternatives. A key question is what type of alternative system(s) might better approximate humanity’s hopes for a more democratic, egalitarian, peaceful, and socially just world order(s). Arrighi (1998) noted that as helpful as nondebates may have been in the past for protecting emerging research agendas against their premature demise, “eventually they become counterproductive for the full realization of their

potentialities. I feel that world-systems analysis has long reached this stage and that it can only benefit from a vigorous discussion of issues that should have been debated long ago but never were.”

Perry Anderson has some revealing passages about the question of capitalist origins. After reviewing Brenner's argument on the centrality of agricultural capitalism in England - to the exclusion of virtually everything else - in the origins of capitalist development, including towns and overseas commerce, Anderson admits:

For all the power of this case, there were always difficulties with its overall context. The idea of capitalism in one country, taken literally, is only a bit more plausible than that of socialism...Historically, it makes better sense to view the emergence of capitalism like this: as a value-added process gaining in complexity as it moved along a chain of interrelated sites. In this story, the role of cities was always central. English landowners could have never started their conversion to commercial agriculture without the market for wool in Flemish towns (2007, Ch. 12, p. 251).

No one to my knowledge has yet noted the convergence between Brenner and Wallerstein – in dramatic contrast to the work of Braudel and Arrighi - on the centrality of agricultural capitalism in the emergence of capitalism. Of course, the differences here are even greater than the affinities: capitalism develops in the countryside of the English state for Brenner and in the context of the emerging world-system for Wallerstein. Wallerstein (1974) sketched the interrelations between agricultural capitalism and Braudel's top level of world trade and finance. Yet to date no one has sufficiently explored how these dynamic forms of agricultural capitalism might be related to the growth of capitalism at the top level of world trade and finance (Braudel 1981, 1982, 1984; Arrighi 1994). In many ways this is not surprising since the thrust of Braudel's and Arrighi's work has been discount the potential importance of agriculture in the world-systemic origins of capitalist development.

Equally as significant is Arrighi's return to his own earlier work on the role of labor supplies. Here Arrighi focuses on the contradictions of capital accumulation by dispossession via full proletarianization revealed in the “Africa of the labor reserves” throughout much of Southern Africa. The combination of white settler colonialism, including in agriculture, mineral wealth, and related labor shortages led to the full dispossession of much of the African peasantry, so as to provide low cost migrant labor for the mines and manufacturing industry. Over time this ended up raising labor costs.

The Southern African experience stands in marked contrast to accumulation without dispossession and associated “rural development and industrialization” throughout much of East Asia. The paradox is that the full proletarianization of the original producers through accumulation with dispossession, although classically associated with the origins of capitalist development, has become one of the biggest barriers to successful capitalist development in Southern Africa and perhaps much of the Global South (Arrighi, Aschoff & Scully 2009). Arrighi uses differing trajectories of accumulation with or without dispossession and associated policies of racial exclusion to examine the radical divergence in development experiences in East Asia and Southern Africa. Specific policy changes in Southern Africa are offered to address these challenges, most especially the need for land distribution to the landless and increases in education and social welfare that can benefit the vast majority of Africans.

Though it has not been done to date, one can imagine teasing out a series of geohistorical linkages between Marx, Wallerstein's, Braudel's and Arrighi's work on the "top level of world-trade and high finance" - with the work of Barrington Moore, Brenner, Wallerstein and others on agricultural capitalism, that relates these developments in an original synthesis. The idea would be to demonstrate more fully how capitalist agriculture, urbanization, and what Arrighi calls a "capitalist system of statemaking and warmaking" are all intimately entwined in the world-historical origins of capitalist development. Also of interest would be see whether Hart (2002) and Arrighi's work on accumulation with and without dispossession in contemporary Southern Africa and East Asia might also shed some light on the origins of capitalist development trajectories in agriculture analyzed by Brenner and Wallerstein. These debates about past and present are of course intertwined.

As a *New Left Review* (1977) editorial noted

The famous debate in the 1940s among Marxist historians – Dobb, Sweezy, Hilton, Takahashi and others – on the origins of capitalism stands as one of the most sustained international exchanges on a central theoretical issue to have taken place within historical materialism. The implications of its conflicting accounts of how capitalism emerged, and why it did so in some regions of the world rather than others, were clearly of far more than purely historical interest. They affect assessments of the coordinates of class struggle on a global scale today, interpretations of the bourgeois state and conceptions of the transition from capitalism to socialism. The debate further involved a series of key theoretical problems concerning the nature of historical determination, the relation of economics to politics and the validity of Marx's basis analysis of capitalism.

Much the same could be said for present day debates on these matters in light of new developments and research findings. Arrighi had hoped in recent years to put together a compilation of his most important work on the foundations of global inequality. One can only wonder to what extent Arrighi might have drawn in this endeavor on the important work done on inequalities over the last few years.

In the meantime, there could be no better tribute to Giovanni Arrighi and his quest for a more humane global system than for scholars and activists to return to these central questions as integral parts of our continuing efforts to understand the world and transform it in more peaceful, socially just, and egalitarian directions. Among the most significant losses in the maelstrom of contemporary 21<sup>st</sup> century life, replete with its sound bite culture and elite intellectuals, is the virtual disappearance of attempts at analyzing the present in the *longue duree*. Giovanni Arrighi's work – and that of his collaborators - represents a pioneering effort to do exactly this.

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## GIOVANNI ARRIGHI IN BEIJING

**Ganesh Trichur**  
*Political Economy*  
*Bates College*  
gtrichur@bates.edu

**Steven Sherman**  
*PhD, Binghamton Sociology, 1999*  
threehegemons@hotmail.com

Giovanni Arrighi's *Adam Smith in Beijing* (ASB) subverts the temporality and conceptual vocabulary employed by most writers working in a Marxist tradition. In this view, capitalism is a mode of production which eventually encompasses the entire world. Perhaps it began in England and expanded from there. Perhaps its expansion through colonial empires should be seen as part of its constitution, rather than an after effect (i.e. the perspective of Wallerstein). In any case, it eventually dominates the world and every place that is a part of it through such phenomena as, multinational corporations, wage labor, and international capital flows. The particular class relations, political systems, and international relations that held before the spread of capitalism are only of interest to the extent that they leave a residue which may be reclaimed by actors seeking to reinforce or undermine the rule of capital in particular places. For Arrighi, Chinese development neither is, nor ever was, simply "capitalist." Rather, it was, and continues to be "Smithian," devoted to the maintenance and expansion of a market society (the obvious irony here is that China is seen as more "Smithian" than those places which most heartily celebrate the Scottish political economist). It is constituted through "accumulation without dispossession," rather than the opposite process dominant in the West and its subordinate territories. In some ways, Arrighi's perspective parallels that of right wing theorists of world history (Spengler, Toynbee, or more recently John Gray) who emphasize a difference between the West and other major centers of civilization. However, they typically posit this difference to lie in deep seated patterns of thought that distinguish the West from the rest. Arrighi shares the belief that civilizations (or social structures) may differ across the *long duree* of world history; however, for him, the difference is grounded in the material basis of political rule, rather than culture. And the difference is consequential for understanding the trajectory of global capitalism. Ironically, in the current moment, when the triumph of capitalism has been loudly trumpeted, a non-capitalist market system is poised to play a larger role in reshaping the global ecumene than it has for at least three hundred years.

There are both political and intellectual implications to this analysis, although Arrighi does not make them explicit. Politically, it suggests that there are no material grounds for the global solidarity of a "multitude" writhing under the lash of a homogeneous and total Empire. Activists and theorists may need to better understand the long term social structures they are embedded in. This advice fits rather well with the global political dynamics of the last decade, when a number of countries -- not only China, but also Russia and Iran, at least -- fail to fall neatly on the right/left continuum. The direction pointed to in ASB suggests that there may be

real differences in the effort to reform a market society as opposed to a capitalist one. The other political implication of ASB is the historical role of the global South in bringing an end to Western domination. This political emergence of the global South forms the context for the peaceful and inclusive economic expansion of China (and of India) since the late 20th century. Intellectually, it suggests a broad project for reformulating world history. ASB is focused on the long term difference between the structure and trajectory of Western Europe vs. China. However, does this not open the potential for differentially understanding a number of regions? There are strong civilizational differences between Western industrial-capitalist societies and market societies. It may not be the case that there are other non-capitalist market societies. But perhaps other empires or historical formations have oriented regions in ways that are not simply erased with the arrival of capitalism, and might emerge as resources as they try to formulate a place for themselves in a world where the power of the West has begun to decline. These civilizational differences suggest that unlike earlier hegemonic transitions, the ascent of East Asian market societies may not ensue in world wars or in a “clash of civilizations” that destroyed the foundations of earlier world orders. The Epilogue to ASB cites approvingly the words of A. Girdharadas on the implications of the rise of China and India for the global status quo: “What it clearly means already is that the day when a cozy club of the rich – the United States, the strongest economies of Western Europe and Japan – sets the pace for the rest of the world, passing out instructions and assigning grades, is fast drawing to a close.” Arrighi welcomes this as an accurate observation, “but on condition that the ruling groups of the global South in general, and of China and India in particular, open up a path capable of emancipating not just their states but the entire world from the social and ecological devastations entailed in Western capitalist development.”

In this essay we elaborate upon two strands in Arrighi's impressive architecture. The first is the legacy of Marx - best represented in the engagements with Robert Brenner (Part II of ASB) and David Harvey (Part III of ASB). The outcome is a novel interpretation of the renaissance of East Asia and the peaceful rise of China in the world system. The second is the legacy of Adam Smith for understanding the relationship between East Asian traditions and a world market society in formation.

## SPATIO-TEMPORALITY OF GLOBAL TURBULENCE

In a debate with Frank, Brenner argues that the formation of the world market in itself is insufficient to promote capitalist development in the absence of two necessary conditions. First, the organizers of production (capitalists) must have lost the capacity to reproduce themselves and their established class position outside the market economy. Second, the direct producers must have lost control over the means of production. Arrighi claims that insofar as the second condition is necessary for capitalist development, it is possible to maintain that the spread of a market economy in China through the pursuit of profit that is *not* necessarily capitalist.

Brenner also attempted to track and explain the current system-wide turbulence using “uneven economic development” – the name for a process of inter-capitalist competition whereby laggards in capitalist development (Germany and Japan) try to catch up, and eventually succeed in catching up, with the leader (the US) – to explain both the long post-war boom of the 1950s and 1960s, and the crisis of profitability (1965-1973) that brought the boom to an end. The failure

of core governments and core capitalist enterprises to eliminate excess capacity "spatially generalized and temporally extended" the squeeze on profits between 1973 and 1993. Brenner's focus is on the performance of manufacturing industries in the US, Germany, and Japan, and on the ways in which the US manipulated currency exchange rates to restore manufacturing competitiveness. Arrighi points out that Brenner's analysis excludes from consideration most of the global South despite its rising share in world manufacturing output and strong North-South convergence in the degree of industrialization, without any corresponding income convergence.

Arrighi's engagement with the current global turbulence is through a vastly larger spatio-temporal canvas that compares and contrasts an earlier 19th century cycle of expansion (1848-1873) and downturn (1873-1896) with the 20th century cycle of expansion (1953-1973) and contraction (1973-1993). Not only were all the features of "uneven economic development" present in both long cycles; in each downturn, temporary financial expansions (the Edwardian *belle époque* of 1896-1914 resembling in important ways the US economic upturn and great euphoria of the 1990s) restored profitability. Arrighi argues that these temporary upturns represent historically recurring systemic tendencies towards "financialization" and intensification of inter-capitalist competition. The early 20th century economic upturn ended in global economic collapse and two world wars; and yet these outcomes appear to have been exceptional (not the "standard" capitalist method of restoring profitability as Brenner claims). The differences between the two downturns are more compelling. At the very outset of the late 20th century *inflationary* downturn the gold-dollar standard broke down followed by extensive US use of currency devaluations and revaluations – in contrast during the 1873-96 *deflationary* downturn core governments continued using the metallic standard and did not manipulate exchange rates. In the late 20th century downturn core states promoted greater integration of the world market with the leading US state concentrating world military capabilities and absorbing world liquidity at unprecedented rates – in contrast, in the late 19<sup>th</sup> century core states actively pursued protectionist practices and overseas colonial empires, and escalated the arms race, all of which ended in a world market crisis, although the leading British state continued its overseas investment and poured money capital into the US.

Historical capitalism over the *longue duree* provides no evidence for Brenner's identification of capitalism with *industrial* capitalism. Despite Brenner's Marxist legacy, Arrighi identifies two other major problems: neither labor-capital conflicts nor geopolitics appear to have any importance for Brenner even though in both downturns their roles are hard to ignore. European class struggles interacted with inter-capitalist competition to contribute to the explosive growth of British overseas investments (in the 1880s and 1900s) and export of capital; they contributed to the "politicization" of inter-capitalist competition through aggressive overseas empire-building, interstate rivalries and wars, that were instrumental in both the temporary revival of profits (1890-1914) and the eventual breakdown of the UK-centered global market. Escalating labor militancy in the core and advancing communist revolution in the peripheries actively shaped the social parameters of the "labor-friendly" postwar hegemonic US world order which created the institutional conditions for the Golden Age of capitalism in the 1950s and 1960s. The end of the Golden Age, Arrighi argues, was the economic cost of uneven economic development consciously and actively encouraged "from above" by a globalizing warfare-welfare US state driven by social and political objectives: the containment of Communism, the taming of nationalism, and the consolidation of US hegemony through active upgrading of productive apparatuses of US protectorates and promotion of full employment and high mass consumption in

the West. But the US warfare-welfare state failed to attain its social and political objectives in the global South: promoting Third World development; containing communism and nationalism. US military defeat in Vietnam was the “signal crisis” of US hegemony: it was constitutive of all the symptoms of 20th century global economic turbulence documented in Brenner. This signal crisis deepened in the course of the 1979 Iranian Revolution, the second hike in OPEC-oil prices, and the Soviet invasion of Afghanistan. Until the US switch to ultra-tight monetary policy in 1979-80, US policies tended to repel the growing mass of private capital accumulating in extraterritorial financial markets. Brenner ignores the Euro-currency markets that accumulated dollar deposits from US banks and MNCs. Currency speculators used these deposits to bet against the stability of the US-controlled fixed exchange rate system. Arrighi seems to forget the role played by the PRC and the USSR in the creation of Euro-dollar money markets in London and Paris. Devaluation of the dollar and the 1971 withdrawal from the gold standard became the US means of freeing itself from monetary constraints on its struggle for dominance in the Third World. But this struggle only worsened inflationary pressures in the core until the Reagan-Thatcher monetarist *counterrevolution* of 1979-80 shifted US state action from the supply side to the demand side of the financial expansion, re-routing global capital flows towards the US and the dollar. As the leading agency sustaining the financial expansion and deindustrialization, US power and prestige were temporarily restored through the debt crisis and collapse of the Third World in the 1980s; and through the bankruptcy and disintegration of the USSR in the course of renewed escalation of the arms race. However, this restoration of US power also made the US the world's greatest debtor nation, dependent foremost on East Asian states for financing its debts, deficits, and war-making. The second Gulf War however revealed again the limits of US war-making: "in all likelihood US difficulties in Iraq will, in retrospect, be seen as having precipitated its terminal crisis."

### **CAPITALISTIC IMPERIALISM AND SPATIAL FIXES OVER THE LONGUE DUREE**

Nevertheless, the US remains the world's greatest military power. Arrighi evaluates the world historical trajectory of “capitalist imperialism” – a contradictory fusion of “the politics of state and empire” and “the molecular processes of capital accumulation in space and time” *within* individual capitalist states (Harvey) – to see to what extent the US can continue to deploy its “residual” military power to resist decline. Harvey argues that the production of new territorially enlarged spaces endowed with necessary physical and social infrastructures can become a “spatial fix” to over-accumulated capital even though such a “switch” of capital flows will encounter resistance. For instance, the PRC may well be the new geographical space with the capacity to absorb capital surpluses but the US will resist such a rerouting of capital flows not only because it enhances the competitive position of the PRC; it threatens internal stability within the US. One way out of this impasse is “accumulation by dispossession” – the use of financial means, crises of devaluation, to rid the system of overaccumulation.

Arrighi draws upon Marx's observations to argue that across the *entire* space-time of historical capitalism, finance capital and state institutions were linked by national debts and the international credit system in an invisible “inter-capitalist cooperation” – involving financial transfers from the incumbent center of accumulation to the newly emerging center – which “re-started” the accumulation process over and over again in newer and larger territorial containers of

wealth and power. The sequence of national debts and the mechanism of the international credit system observed by Marx that produces a debtor-creditor relation between incumbent center and emerging center is a world historical sequence of spatial fixes of increasing scale and scope. Wars involving the incumbent center and the financing of those wars by the emerging center eventually reversed the debtor-creditor relation. It also *reduced* the need for accumulation by dispossession in the newly emerging center. However, compared to earlier hegemonic transitions, the fact that the US has been borrowing enormous amounts of capital from the newly emerging center of accumulation in East Asia appears as an historical anomaly. Arrighi asks whether this anomaly is because the process of accumulation by dispossession has reached its limits – either because the leading emergent center (China) is accumulating capital by other means or because coercive means by the incumbent center (US) can no longer create a spatial fix adequate to the over-accumulation crisis.

Arrighi also argues that the most crucial and recurring form of accumulation by dispossession has been the use of military force by Western states – capitalism, industrialism, and militarism synergized in the West – to provide the endless accumulation of capital and power with spatial fixes of increasing scale and scope. “Capitalist imperialism” is really the name for the effects of the long-term “extroversion” of the European developmental path that made successful pursuit of profits and power within the Western interstate system depend critically on long-distance trade and plunder of non-Western spaces. Extroversion of the struggle for power also ensured that interstate competition for mobile capital would empower the capitalist organizations that controlled those financial resources; and that this interstate competition would be continually renewed by the need of territorial organizations to outdo one another in gaining privileged access to non-Western resources. In the political exchange that framed the first Genoese-Iberian systemic cycle of accumulation, Genoese capitalism and Iberian imperialism retained their separate organizational identities from the beginning to the end of the cycle. In the second Dutch systemic cycle of accumulation, there was a far greater interpenetration of capitalism and imperialism through partial internalization of protection costs (costs of war-making). A complete fusion of capitalism and imperialism in the British systemic cycle of accumulation emerged only because Britain's ability to dominate the continental balance of military power synergized with British imperial control over India's demographic and financial resources. The greater scale and scope of the British spatial fix however resulted in a far more massive over-accumulation of capital for which only a continent-sized island of the US-type could supply an adequate spatial fix. Arrighi argues that FDR's political vision of “world government” was a conscious projection on a world scale of the domestic New Deal. If FDR's vision appeared too idealistic to business and government, a downsized, militarized world-government project led by Truman proved realistic in circumstances created by the Korean War. An artfully inflated Communist threat helped project the image of the US as a “legitimate protector” of Western European interests and the leader of the golden age of capitalist expansion in the 1950s and 1960s. US defeat in Vietnam however, created a legitimacy crisis. Like the earlier 19<sup>th</sup> century golden age (1848-1875) the golden age of the 20<sup>th</sup> century (1953-1973) ended in a long period of financial expansion and resurgent imperialism. What was distinctive about the new imperialism (the US invasion of Iraq) was the attempt by the declining hegemonic power to resist decline by attempting to transform itself into a world state. By 2004 this project had become a “quagmire,” adding to the widespread global perception that the US in the guise of offering protection was really running a protection racket. “Just as the US emerged as the real winner of the Second World War after the USSR had

broken the back of the Wehrmacht in 1942-43, so now all the evidence points to China as the real winner of the war on terror." But has the failure of the US imperial project also created the conditions for China to pioneer peacefully the social and economic empowerment of peoples of the global South?

### PERSISTENCE OF THE SMITHIAN LEGACY

The rise of China as the fastest growing economy in the world has provoked responses from US foreign policy analysts and from Marxist scholars that seem to misread the nature of China's economic ascent and its economic reforms. US foreign policy analysts like Kaplan and Mearsheimer argue that the economic ascent of China will translate into formidable military power that the US should contain through a newer system of alliances. This fetishism of competitive military relations between great powers ignores historical instances of cooperative relations between incumbent and emerging great powers: following a long period of mutual hostility Britain (incumbent power) and the US (emerging power) cemented strong cooperative relations over the course of the 20<sup>th</sup> century. Why should "realism" rule out closer cooperation between China (emerging great power) and the US (incumbent great power) as an equally likely future outcome? China's foreign policy strategy in fact resembles the strategy followed by the emerging power (US) vis-à-vis the incumbent power (Britain) in the early 20th century. China is letting the US exhaust itself militarily and financially in an endless war on terror while enriching itself by supplying goods and credit to the US. It is also using its vast domestic market to win over allies in the creation of a new PRC-centered new world order. Why should realists rule out of consideration the possibility that a PRC-centered East Asian world economy will follow the peaceful traditions of an earlier Sino-centric East Asian world economy? While there are strong civilizational *differences* between China and the West, there are no historical reasons to assume that these civilizational differences will translate into a Huntington-style "clash of civilizations." Foremost among these differences at the *political level* is the near-absence in East Asia of the kind of interstate military competition endemic to the Western developmental path – Polanyi's "hundred years of peace" (1815-1914) *within* Europe co-existed with active European pursuit of overseas empires elsewhere. Insofar as interstate competition in East Asia (in particular between China and Japan) did occur, it only drove the region's developmental path towards state-making and national economy-making. Qing territorial expansion between 1644 and 1760s was a "defensive" strategy adopted against persistent Mongol raids; and late-Imperial China became the center of concentrated regional power in contrast to most of European history where there was no such "center" or regional peace. In fact, Arrighi observes in East Asia three centuries of intra-regional peace (or five hundred years, 1392-1894, as far as China is concerned), as well as the absence of any tendency to build overseas empires. Why should this historical legacy of a peaceful East Asian interstate system not inform US foreign policy vis-à-vis China in the new millennium?

These civilizational differences at the political level, Arrighi argues, correspond to civilizational differences at the *economic level*. Ming and Qing successes in developing the largest *Smithian* market economy in the world lie behind the "introversion" of the power struggles in East Asia. Although both Western Europe (1350-1650) and Ming China (1368-1644) reached high-level equilibrium traps of Smithian market-based development, Smith's "natural"

path – in which a country progresses from agriculture to industry to foreign trade, and mobilizes human rather than non-human resources in pursuing economic improvement – persisted in East Asia from the 16th to the 18th centuries. The Ming and early Qing creation of a vast agricultural economy proceeded alongside the creation of the world's largest domestic market. An extensive intra-regional commerce was regulated effectively to keep a vibrant East Asian capitalism (whose main bearer was overseas Chinese merchant capitalists) confined to the outer rim of the systems' states. Defeat and demilitarization of Chinese merchant capitalists in 1683 cleared the way for an "Industrious Revolution" that unfolded within the limits of labor-absorbing institutions centered on the household, family, and village community. The "invisible hand" of dynastic governments forced capitalists to compete with one another in the general social interest and promoted an 18<sup>th</sup> century "Chinese economic miracle." By contrast, the sequence of larger and larger states that led the Western developmental path followed Smith's "unnatural" path in which capitalists exercised greater power to impose their class interest at the expense of the general social interest: "conversely, the absence of anything comparable to such a sequence in East Asia can be taken as the clearest sign that, prior to the Great Divergence, the East Asian developmental path was as market-based as the European but was not the bearer of a capitalist dynamic." These fundamental divergences between the Eastern and Western developmental paths also created the conditions for their *relational* intertwining in which Western militarism incorporated, *without transforming* the East Asian developmental path into the Western developmental path – first under British and then under US capitalistic imperialism.

The Smithian legacies of the East Asian tradition have combined in the 1980s and 1990s with the legacies of the Chinese peasant Revolution to lead the current phase of regional economic resurgence. Arrighi does not give adequate importance to the role of farmers as *agents* in China's economic ascent – peasant grassroots initiatives were central in the formation of the post-1978 household responsibility system (Kate Zhou 1996: *How the Farmers Changed China*) – and he places an emphasis on the symbiosis between the Chinese Party-State and overseas Chinese capitalist diaspora that has been the subject of much critical commentary (Aihwa Ong 2006: *Neoliberalism as Exception*). He is nevertheless, correct in maintaining that the Chinese state is *not* a capitalist state in Marx's sense – the PRC-party-state remains in control of its relationship with the capitalist overseas diaspora and the CCP has forced all kinds of capitalists to compete with one another. "The result has been a constant over-accumulation of capital and downward pressure on rates of profits." The contradictions underlying Deng's reforms did facilitate a lot of bureaucratic corruption at the level of decentralized local governments; as well as a crisis of landlessness. The result has been large-scale social unrest, itself part of a long Chinese tradition which undermined Ming dynastic rule. Such corruption does not however mean that China has taken a neoliberal turn nor that it exemplifies a process of "accumulation by dispossession" (Harvey). Neither does it imply that Chinese ruling groups are oblivious to either the history of peasant rebellions or to the present form of rural and urban social unrest.

Perhaps a more important question is how these contradictions and limits may be overcome in the future in such a way that market-based development in the PRC remains embedded in social relations. Much of the data of the last two decades has been discouraging. Since the mid-1980s the Gini Coefficient of inequality for China spiked sharply and consistently upward from 0.35 in 1990 to 0.46 in 2002, making China significantly more unequal than most Asian nations. Growing social unrest and the restraint on the growth of the domestic market are two important effects of material inequalities. The *hukou* system, with its urban bias, remains in place. Insofar as

the future of East Asian integration depends significantly on the growth of intra-regional markets so as to fully overcome the region's dependence on Northern markets – rendered even more important in the light of the stagnation of the Eurozone and the staggering indebtedness of the US economy – growing inequalities within China and among states in the region limit the potential of Chinese markets to support and reinforce regional growth and expansion. Can China become something more than a poor peoples' welfare state?

In the last few years, a countertrend has emerged, epitomized in the rise of Hu Jintao. New labor laws have been announced and initiatives to develop rural areas have been funded. Most recently, China has announced a large scale stimulus to combat the global recession. "The country is using its nearly \$600 billion economic stimulus package to make its companies better able to compete in markets at home and abroad, to retrain migrant workers on an immense scale, and to rapidly expand subsidies for research and development" (Keith Bradsher in *New York Times*, 16 March 2009). From Arrighi's long term perspective, one might argue that long term civilizational tendencies towards self-protection and accumulation without dispossession have persisted to offset the sorts of tendencies noted by Harvey and others. On a global scale, China has also moved in its long term path of the peaceful production of a global market. One can point to several aspects -- it has largely relied on contracts with existing leaders in developing countries, rather than trying to train a cadre of pro-Chinese ideologues and use coups to place them in palaces as it deepens economic relations around the world. It has worked in a low key, non-confrontational manner as it seeks additional space from the looming catastrophe of an excessively indebted US. Finally, we should also note the presence worldwide of small shopkeepers of Chinese descent, in practically every major city. Nestled in poor neighborhoods, without the defensive structures of global NGOs or multinational corporations on their side, they might be seen as the informal ambassadors of the market society. It is impossible to predict the future and confidently state the triumph of one political force or project over another. But Arrighi's long term analysis does convince us that the civilizational structure of the Chinese market society will be one key factor in the reshaping of the global polity in this century.